

**1 Legal status and principal activities**

Dhofar Insurance Company SAOG ("the Company") is an Omani public joint stock company registered on 13 April 1991 with the Ministry of Commerce, Industry and Investment Promotion in accordance with the provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman. The Company's principal activity is undertaking the business of insurance (general and life) in the Sultanate of Oman.

The Company's principal place of business is located in Muscat, Sultanate of Oman.

**2 Margin of solvency**

This was assessed based on the CMA letter number HSM/146/2024 dated 28 January 2023 wherein the company has been requested to provide margin of solvency in accordance with unaudited management financial statements prepared in accordance with IFRS 4, as if IFRS 17 or IFRS 9 was never applied by the Company.

**3 Statement of compliance with IFRS Accounting Standards**

These financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards) and the applicable disclosure requirements of the CMA and relevant provisions of the Commercial Companies Law (CCL) and Regulations (CCR) of the Sultanate of Oman.

**Basis of preparation**

The financial statements have been prepared on a historical cost basis and going concern assumption, except for financial instruments at fair value, fair values through profit or loss and/or through other comprehensive income, investment property and revalued property, plant and equipment. The preparation of financial statements is in conformity with IFRS Accounting Standards that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The financial statements have been presented in Rial Omani which is the functional currency of the Company.

**4 Adoption of significant new and revised IFRS**

Improvements/amendments to IFRS Accounting Standards contained numerous amendments to IFRS Accounting Standards that the IASB considers non-urgent but necessary. 'Improvements to IFRS Accounting Standards' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS Accounting Standards'. The amendments are effective for the Company's future accounting year with earlier adoption.

**(a) Standards, amendments and interpretations effective and adopted in the annual period beginning on or after 1 January 2023**

The following new standards, amendment to existing standards or interpretations to various IFRS Accounting Standards are mandatorily effective for the reporting period beginning on or after 1 January 2023:



4 Adoption of significant new and revised IFRS (continued)

(a) Standards, amendments and interpretations effective and adopted from 1 January 2023 (continued)

Standard or Interpretation	Title
IFRS 17	Insurance Contracts
IFRS 9	Financial Instruments
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules (effective immediately upon the issue of the amendments and retrospectively).

**IFRS 17: Insurance contracts and IFRS 9: Financial Instrument**

The impact of initial adoption of IFRS 17 as well as IFRS 9 is set out in Note 4 (c) to the financial statements. The other new / amendments are not expected to impact the results or financial position of the Company significantly.

**Amendments to IAS 1: Disclosure of Accounting Policies (Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the Company but affect the disclosure of accounting policies of the Company.

**Amendments to IAS 8: Definition of Accounting Estimates (Accounting policies, Changes in Accounting Estimates and Errors)**

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the financial statements of the Company.

**Amendments to IAS 12: Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual financial statements of the Company.



**4 Adoption of significant new and revised IFRS (continued)****(a) Standards, amendments and interpretations effective and adopted from 1 January 2023 (continued)****Amendments to IAS 12: Income Taxes: International Tax Reform - Pillar Two Model Rules**

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of the Company has determined that the Company is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Company.

**(b) Standards, amendments and interpretations issued but not yet effective**

The following new/amended accounting standards and interpretations have been issued by IASB that are effective in future accounting period and the Company has decided not to adopt early.

Standard or Interpretation	Title	Effective for annual periods beginning on or
Amendments to IFRS 16	Leases: Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	
Amendments to IAS 7	Statement of cash flows: Supplier finance arrangements	1 January 2024
Amendments to IFRS 7	Financial Instruments: Disclosures Supplier finance arrangements	1 January 2024
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability	1 January 2025

The Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the financial statements of the Company.

**(c) Changes in accounting policies and disclosures**

The Company has initially applied IFRS 17 Insurance Contracts (IFRS 17), which replaces IFRS 4 Insurance Contracts (IFRS 4), including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts for the prior year to give effect to the

Except for the changes below, the Company has consistently applied the accounting policies as applied in the annual financial statements for the year ended 31 December 2022.

In these financial statements, the Company has applied IFRS 17 for the first time and the significant accounting policies adopted in the preparation of these financial statements under IFRS 17 are set out below.



**4 Adoption of significant new and revised IFRS (continued)**

**(c) Changes in accounting policies and disclosures**

**1) IFRS 17 Insurance Contracts**

**i) Initial recognition**

The Company writes Life, Medical and General insurance policies which are described as below:

**ia) Life Insurance Contracts**

**1) Individual life policies**

These consist of the following types of policies:

- With profits conventional policies (i.e., policies with a discretionary participation feature) which insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at the year-end for premiums receivable of policies which have not lapsed. Benefits are recorded as an expense when they are incurred. Each policy has a defined benefit amount payable which is guaranteed. Apart from this reversionary and terminal bonuses are declared by the Company from time to time based on the profitability of the individual life portfolio. Reversionary bonuses convert into guaranteed benefits once declared and a certain minimum level of bonus is guaranteed for certain policies.
- Term assurance where the benefits are payable only in the event of death of the insured. These include policies where the insured amount is constant throughout the term of the policy and decreasing term assurance policies where the sum assured reduces at a pre-decided rate every year. The premium is paid either over the term of the policy or as a single premium. Premiums are recognised as revenue when they are received. Provisional premiums are recognised at the year-end for premiums receivable of policies which have not lapsed. These are without profit policies.

**2) Individual credit life policies**

These are life insurance contracts underwritten on single premium and on an individual basis and issued to protect financial institutions for their outstanding loans from the customers. These contracts protect the financial institutions from the consequences of events (such as death or disability) that would affect the ability of the customers to repay their outstanding loans. These are without profit policies. These contracts are issued for the duration of loans with the insurance premium being received as a single premium. Further, amounts are received if and when loans are topped up. Similarly, refunds are allowed in case of pre-closure or change in terms of the loan.

**3) Group credit life policies**

These are life insurance contracts underwritten on a group basis and issued to financial institutions to protect their outstanding loan portfolios. These contracts protect the Company's customers (financial institutions) from the consequences of events (such as death or disability) that would effect on the ability of the customer's borrowers to repay outstanding loans.

These contracts are issued on two basis:

- For the duration of loans with the insurance premium being received as a single premiums are received if and when loans are topped up; and
- short-term contracts covering the risk for a year at a time, with premiums being determined and paid monthly on outstanding balances.





- 4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)  
ia) Life Insurance Contracts (continued)

4) Group life policies

These are short-term life insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Company's customer (the employer) from the consequences of events (such as death or disability) that would effect on the ability of the employee or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the customer. There are no maturity or surrender benefits.

5) Retail/personal accident policies

These are term life insurance contracts underwritten for a period of one to two years, the lives covered usually being employees by an employer. These contracts protect the employer from the consequences of events (such as death or disability) that would effect on the ability of the employee or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the customer. There are no maturity or surrender benefits.

ib) Medical insurance contracts

1) Group medical policies

These are short-term medical insurance contracts underwritten on a group basis, the lives covered usually being employees of a common employer. These contracts protect the Company's customers (the employer) from losses resulting from medical treatment of employees as a result of ill-health or accident, covering both hospitalisation and out-patient expenses. The bulk of hospital claims are disbursed directly by the Company to healthcare providers. There are no maturity or surrender benefits for these policies.

2) Individual medical policies

These are policies for a period which range between one to three years. These contracts protect the insured from losses resulting from medical treatment as a result of ill-health or accident, covering both hospitalization and out-patient expenses. There is no maturity or surrender benefits for these policies.

ic) General insurance contracts

In general insurance contracts, the Company mainly issues short-term insurance contracts in connection with motor and non-motor (which includes risks such as property, engineering, liability and marine risks)

1) Motor insurance

Motor insurance policies compensate insured for damage suffered to their vehicles or liability to third parties arising through motor accidents. Contract holders could also receive compensation for the fire or theft of their vehicles. Motor vehicles include both own damage and third-party liability which are further classified as private and commercial vehicles.

2) Property insurance

Property insurance compensates insured for damage suffered to properties or for the value of property lost. Policies cover risks such as fire and allied perils, property all risks, householders comprehensive risks, etc.

3) Engineering insurance

Engineering insurance compensates insured for damages to plant & machinery, projects, electronic equipment, heavy machinery/ vehicles, etc. due to accident.



**4 Adoption of significant new and revised IFRS (continued)**

**(c) Changes in accounting policies and disclosures (continued)**

**1) IFRS 17 Insurance Contracts (continued)**

**ic) General insurance contracts (continued)**

**4) Liability insurance**

Liability insurance compensates insured for liability arising through public liability, professional indemnity, employers liability, extended warranty, etc.

**5) Marine insurance**

Marine insurance compensates insured for damage and liability arising through loss or damage to marine craft/ cargoes due to accidents at sea.

**id) Allowance in claims liability**

Some insurance contracts permit the Company to collect excess, depreciation, or sell a (usually damaged) vehicle or a property required in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

**ie) Reinsurance contracts held**

In order to protect itself against adverse experience, the Company has entered into contracts with reinsurers under which it is compensated for losses on one or more contracts issued by the Company.

**ii) Recognition and measurement**

**a) Insurance contracts issued**

The Company recognise a group of insurance contracts that it issues at the earliest of:

- The beginning of the coverage period (inception date);
- The date the first premium is due (date first premium is received in absence of a contractual due date); or
- When a group of contracts becomes onerous.

**b) Reinsurance contracts held**

The Company recognise reinsurance contracts held as follows:

**(i) group of non-proportionate reinsurance contracts held, at earlier of:**

- at the start of the period of coverage; or
- In case of reinsurance arrangements held for underlying onerous contracts, the date of recognising the underlying onerous contract.

**(ii) in the case of proportionate reinsurance, at the later of:**

- the beginning of the coverage period; or
- the date the first underlying gross insurance contract is recognised.

**iii) Measurement model**

Under IFRS 17, the Company's non-life and short-term life insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA), except for long-term life business (being run on General Measurement Model - GMM). The IFRS 17 standard requires contracts with contractual term greater than 1 year to be run on the GMM. However, the Standard also allows for such contracts to be run on PAA if those contracts pass the PAA eligibility test. Insurance contracts with contractual term of greater than 1 year were tested for PAA eligibility before finalizing the measurement model. The PAA simplifies the measurement of insurance contracts in comparison with the GMM in IFRS 17. The measurement principles of the PAA and GMM differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:



4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)

iii) Measurement model (continued)

The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided under the PAA. Under the GMM, the liability for remaining coverage is calculated as the present value of future cash flows that are expected to arise, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM).

The Company does not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk under the PAA approach. However, under the GMM, the liability for remaining coverage is adjusted to reflect the time value of money and the effect of financial risk.

For PAA contracts, measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component. If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. For GMM contracts, the groups of contracts are measured based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM (Contractual Service Margin).

Measurement of the liability for incurred claims is determined on a discounted expected value basis and includes an explicit risk adjustment for non- financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses. The Company recognizes the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) whether or not they are expected to be paid in one year or less from the date the claims are incurred.

Measurement of the asset for remaining coverage is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts. The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

- The Company issues long term-life insurance contracts which are being measured using GMM.
- The Company does not issue any contracts with direct participating features.

**Summary of Measurement Approaches related to direct contract issued under PAA:**

**Portfolio**

- Fire
- Marine Hull
- Marine Cargo
- Motor
- Health
- General Accident
- Liability and Financial Lines
- Engineering
- Group Life (short-term)



**Summary of Measurement Approaches related to direct contract issued under GMM:**

**Long Term Life Protection**

4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iii) Measurement model (continued)

Summary of Measurement Approaches for reinsurance contract held under PAA:

**Reinsurance**

- Fire
- Motor
- Health
- General Accident
- Liability
- Engineering
- Group Life
- Medical
- Motor high value
- Catastrophe
- Fire and Engineering Risk and Catastrophe
- Personal Accident
- Marine Cargo and Hul

Summary of Measurement Approaches for reinsurance contract held under GMM:

Individual Life and PA

**Changes to classification and measurement**

Nature of contracts	Product classification	Measurement model
Life business - Long term	Insurance contracts	General Measurement Model
Life business - short-term	Insurance contracts	Premium Allocation Model
Non - life business	Insurance contracts	Premium Allocation Model
All reinsurance contracts held other than those held corresponding to life	Reinsurance contracts held	Premium Allocation Model
Reinsurance contracts held corresponding to life	Reinsurance contracts held	General Measurement Model

iv) Best Estimate Liability (BEL)

The main cash flows included within the BEL are premiums, claims, commission, directly attributable expenses and an allocation of overheads.

LfRC BEL includes cash flow estimates relating to future service, whereas LFIC BEL includes cash flow estimates relating to past service and current service

Claims and claims handling expense cash flows are the core components of the LFIC.

iv(a) Liability for Remaining Coverage (LFRC) under GMM

1) LFRC - Statement of financial position

(i) on initial recognition, the carrying amount of the liability is:

- Estimate of present value of future cashflows;
- Add: Risk adjustment for non-financial risk;
- Add: Contractual service margin





4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best Estimate Liability (BEL) (continued)

iv(a) Liability for Remaining Coverage (LFRC) under GMM (continued)

1) LFRC - Statement of financial position (continued)

Under GMM, a group of insurance contracts is measured as the sum of fulfilment cash flows and CSM. After initial recognition of a group of insurance contracts, the carrying amount of the group at each reporting date is the sum of the LFRC and the LIC. The LFRC comprises of fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date.

(ii) Under GMM, the carrying amount of liability for remaining coverage excluding the CSM, is re-measured at each subsequent reporting date. That is, it comprises the present value of the best estimate of the cash flows required to settle the obligation together with an adjustment for non-financial risk.

An entity should recognise income and expenses for the following changes in the carrying amount of the LFRC:

- Insurance revenue - for the reduction in the LFRC because of services provided in the period;
- Insurance service expenses - for losses on groups of onerous contracts, and reversals of such losses; and
- Insurance finance income or expenses - for the effect of the time value of money and the effect of financial risk.

2) Measurement of Contractual Service Margin (CSM)

(i) Initial measurement

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides insurance contract services in the future. On initial recognition of a group of insurance contracts, the CSM is measured at the equal and opposite amount of the net inflow that arises from the sum of following:

- The fulfilment cash flows;
- Any cash flows arising from the contracts in the Company at that date; and
- The derecognition of any asset recognised for insurance acquisition cash flows and any other asset or liability previously recognised for BEL cash flows related to the group of contracts.

(ii) Subsequent measurement

The carrying amount of the CSM of a group of insurance contracts under GMM at the end of each reporting period, comprises the carrying amount at the start of the reporting period adjusted for:

- Effect of new contracts added to the group
- Interest accretion on the CSM during the period measured at the discount rates at initial recognition;
- Changes in the fulfilment cashflows relating to future service, except to the extent.

- 1) Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
- 2) Such decreases in the fulfilment cash flows are allocated to the loss component of the LFRC.

- The effect of any currency exchange differences arising on the CSM;
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.



- 4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)  
iv) Best estimate liability (BEL) (continued)  
2) Measurement of Contractual Service Margin (CSM) (continued)

**2a) Effect of new contracts added**

The CSM increases if new profitable contracts are added to the group during the reporting period.

**2b) Interest accretion on CSM**

For contracts measured under GMM, interest is accreted on the carrying amount of the CSM during a reporting period using discount rates locked in on initial recognition of a group of contracts.

**2c) Changes in fulfilment cash flows**

The CSM is adjusted for changes during the reporting period in fulfilment cash flows relating to future services which may arise through:

- Experience adjustments (i.e., actual vs. expected amounts) arising from premiums received in the period that relate to future services, and related cash flows such as insurance acquisition cash flows and premium-based taxes, measured at the discount rates applying at the date of initial recognition;
- Changes in estimates of the present value of the future cash flows in the liability for remaining coverage (except for those that relate to the effect of the time value of money and the effect of changes in financial risk) measured at the discount rates applying at the date of initial recognition;
- Changes in the risk adjustment for non-financial risk that relate to future service.

The CSM is not adjusted for the following changes in fulfilment cash flows because they do not relate to future service:

- The effect of the time value of money and changes in the time value of money, and the effect of financial risk and changes in financial risk (These effects comprise the effect, if any, on estimated future cash flows, the effect, if disaggregated, on the risk adjustment for non-financial risk and the effect of a change in discount rate);
- Changes in estimates of fulfilment cash flows in the liability for incurred claims as they relate to current or past services;
- Experience adjustments (i.e., actual vs. expected amounts), except those described above that relate to future services. Generally, experience adjustments relate to past or current service and therefore do not adjust the CSM. However, as an exception, experience adjustments arising from premiums received in the period that relate to future service adjust the CSM.

The terms of some insurance contracts measured under GMM, give an entity discretion over the cash flows to be paid to policyholders. A change in the discretionary cash flows is regarded as relating to future service, and accordingly adjusts the CSM.

**3) Currency difference**

The CSM of contracts written in a different currency to the insurer's functional currency will be attached by changes in currency exchange rates. Since the Company's GMM contracts are written in the Company's functional currency RO, the impact on the CSM for the Company is nil.



4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best estimate liability (BEL) (continued)

4) Allocation of CSM to profit or loss

IFRS 17 requires the CSM to be recognised over the coverage period in a pattern that reflects the provision of insurance contract services as required by the contract. The CSM for a group of insurance contracts remaining (before any allocation) at the end of the reporting period is allocated over the coverage provided in the current period and expected remaining future coverage, based on coverage units in the group. The number of coverage units in the group is the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

The determination of coverage units involves judgement and estimates to best achieve the principle of reflecting the services provided in each period which:

- Reflects the likelihood of an insured event occurring to the extent that it affects the expected coverage period of contracts in the group but not the amount expected to be claimed in a period.
- Reflects the variability across periods in the level of cover provided by the contracts in the group, with the level of cover being the contractual maximum level of cover in each period.

5) Reinsurance

The reinsurance contracts held under the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. The coverage units are defined based in sum assured of the underlying insurance and reinsurance contracts.

6) Onerous contracts - loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognises the excess in insurance service expenses, and it records the excess as a loss component of the LFRC.

When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LFRC for the respective group of contracts, based on the CSM allocation approach described below:

- a) Expected incurred claims and other directly attributable expenses for the period;
- b) Changes in the RA for the risk expired; and
- c) Finance income or expenses from insurance contracts issued.

The amounts of loss component allocation in point a and b above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the future cash flows in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the future cash flows in subsequent periods increase the loss component.



4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best estimate liability (BEL) (continued)

7) Reinsurance contracts held - loss recovery component

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised when a loss component is set-up for a group of onerous underlying insurance contracts. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

iv(b) Liability for Remaining Coverage (LFRC) under PAA

1) LFRC - Statement of financial position

(i) On initial recognition, the carrying amount of the liability is:

- Premiums, if any, received at initial recognition;
- Less: any insurance acquisition cash flows at that date;
- Less: any amount arising from the derecognition at that date of any assets of insurance acquisition cash flows.

(ii) On subsequent measurement, the carrying amount of the liability is:

- Carrying amount of the liability is the carrying amount at the start of the reporting period;
- Plus: Premium received;
- Less: Revenue for the period; (i.e. GWP less Unearned Premium)
- Less: Cost of Acquisition (COA) paid; and
- Add: Amortisation of COA (i.e. COA expense less DAC)

2) LFRC - Statement of profit or loss

(i) on initial recognition:

- GWP less unearned premium reserve (UPR) equals insurance revenue;
- Total acquisition costs less DAC equals amortised DAC.

(ii) on subsequent measurement:

- GWP less change in UPR equals insurance revenue;
- Total acquisition costs less change in DAC equals amortized DAC.

Written premiums, unearned premiums and acquisition cost cash flows are determined at the portfolio level and calculated as follows:

- Premium received in the period represents the premiums paid by the policyholders during the period;
- Gross written Premium recognised in the period in which the Company is legally bound through a contract to provide insurance cover;
- Gross UPR representing the premium income receivable under the contract deferred until the revenue is earned throughout the contract;
- Total Acquisition Cash Flows being the direct and indirect costs of obtaining and processing new insurance business; and
- Deferred Acquisition Costs (DAC) amortized over the coverage period.





**4 Adoption of significant new and revised IFRS (continued)**

**(c) Changes in accounting policies and disclosures (continued)**

**1) IFRS 17 Insurance Contracts (continued)**

**iv) Best estimate liability (BEL) (continued)**

**iv(b) Liability for Remaining Coverage (LFRC) under PAA (continued)**

**2) LFRC - Statement of profit or loss (continued)**

The above methodology for calculating LFRC is complaint under IFRS 17. Further, based on the current assessment, the Company has decided not to discount the LFRC for PAA portfolios based on the fact that the affect of financing component is not material for long tail contracts.

The Company issues corporate policies on credit. Under IFRS 17, insurance revenue includes expected premium allocation under PAA and determination of expected value of cash flows. Accordingly, the Company accounts for the credit risk factor of receivables and related changes under insurance revenue.

Estimation of the future cash flows includes determination of the expected value, or probability-weighted mean of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The difference between the premiums recorded and the premiums received plus expected premium cashflows is considered as the expected credit loss or impairment impact on insurance contracts. Such impairment charges are considered part of insurance revenue rather than recorded as expenses.

**3) Systematic allocation of revenue (premium) under PAA**

The Company allocates the revenue under PAA based on Straight line method.

**iv(c) Liability for incurred claims**

The Company calculates the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows;
- Risk adjustment for non-financial risks.

**Discounting on LFIC:**

The Company has applied discounting to LIC as there are a set of claims that are settled beyond 12 months from the date they are incurred. The Company has also applied discounting to the fulfilment cash flows related to future coverage used in the determination of the onerous loss for the onerous group of

**iv(d) Risk adjustments**

The risk adjustment is required when calculating:

- The Liability for Incurred Claims (LFIC) under both the PAA and the GMM;
- The Liability for Remaining Coverage (LFRC) under GMM; and
- The loss component for onerous groups under PAA.

The risk adjustment allows for stresses to the best estimate cash flows due to non-financial risk associated with all insurance contracts recognized under IFRS 17 (both inwards business and outwards reinsurance)

**iv(e) Disaggregation of Risk Adjustment**

Insurance Finance Income / Expense (IFIE) comprises the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk; but

In compliance with the Company' decision to apply discounting on LFIC, the Company has chosen to disaggregate RA into insurance service result and IFIE in the Statement of profit and loss.



4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best estimate liability (BEL) (continued)

iv(f) Expenses

The majority of costs incurred by the Company are directly attributable to fulfilling insurance contracts and are either identified at an individual contract level, or allocated to a group of insurance contracts in a systematic and rational manner using reasonable and supportable information.

The Company classifies its expenses in three main categories of expenses as required under IFRS 17:

- **Insurance acquisition costs:** These include costs of selling, underwriting and starting a group of insurance contracts and should be directly attributable to the portfolio of insurance contracts to which the groups belong. The deferred part of these costs relating to contracts issued forms part of the Liability for remaining coverage (LFRC) and the amortization for each reporting period is included within Insurance service expenses.
- **Incurred claims and claim handling expenses:** costs of investigating claims and processing claims payments as well as salvage and subrogation. The presumption is that these costs can easily be identified and allocated to portfolios and groups of insurance contracts that they are directly attributable to. These costs are included within the calculation of the Liability for Incurred Claims (LFIC) and included within Insurance service expenses.
- **Administrative costs:** These include general administrative expenses directly attributable to the insurance servicing activity such as costs of billing premiums, handling policy changes and all fixed and variable overheads (e.g. accounting, HR, IT, building depreciation, rentals). These costs will be allocated to portfolios and groups of contracts using methods that are systematic, rational and consistently applied to all costs that have similar characteristics. Under the PAA model, these costs are recognised as incurred on an accruals basis, and expensed directly to the Statement of profit or loss as a component of insurance service expenses.
- **Specifically excluded costs :** IFRS 17 sets out specific cash flows that should be excluded from the insurance contract measurement. These costs include items such as:
  - Abnormal amounts of wasted labour or other resources;
  - Costs that are not directly attributable to the portfolio of insurance contract; and
  - Investment expense.

The Company excludes all such costs from insurance contract measurement as required under IFRS 17.

iv(g) Policy fees

Insurance and investment contract policyholders are charged for policy administration services and other contract fees. Insurance policy fees are considered as part of Insurance revenue and recognised as income over the period of service which is generally the period of the policy.

iv(h) Reinsurance

The Company cedes insurance risk in the normal course of business for a portion of risk it is insuring. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to

4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best estimate liability (BEL) (continued)

iv(i) Discount rate

Discounting is a part of the LFRC estimates for GMM portfolios of the Company. For its PAA portfolios, the Company has not discounted the LFRC as the time between providing each part of the coverage and the related premium due date is expected, at initial recognition, to be less than a year. For some contracts that have a coverage period of more than a year (e.g. Individual Medical), the premiums are paid in advance and therefore discounting might be applicable however, the impact has been assessed and on the grounds of materiality, discounting is not applied.

The Company has applied discounting to LFIC for both GMM and PAA portfolios as there are a set of claims is settled beyond 12 months from the date they are incurred. The Company has also applied discounting to the fulfilment cash flows related to future coverage used in the determination of the onerous loss for the onerous group of contracts.

The Company uses the Bottom-Up approach to determine the required discount rates on yield curve basis.

iv(j) Length of cohorts

The Company has selected the cohort duration of one year.

iv(k) Premium Allocation Approach (PAA)

The Company applies the PAA approach wherever the eligibility criteria of para 53(a) and (b) of IFRS 17 has been fulfilled for its portfolios. However, in case of any changes in the term and conditions of the contracts or introduction of new contract with coverage period of more than one year, the Company's will re-perform the PAA eligibility test.

iv(l) Changes to presentation and disclosure

For presentation in the financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and present separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of profit or loss have been changed significantly compared to previously reported. The Company had reported the following line items previously under IFRS 4:

- Gross premiums;
- Premium ceded to reinsurers;
- Net premiums;
- Movement in unexpired risk reserve;
- Gross claims paid;
- Reinsurance recoveries;
- Movement in outstanding claims;
- Gross commission expense;
- Reinsurance commission income; and
- Net underwriting result.



4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

1) IFRS 17 Insurance Contracts (continued)

iv) Best estimate liability (BEL) (continued)

iv(l) Changes to presentation and disclosure (continued)

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expenses;
- Income or expense from reinsurance contracts held;
- Net finance expense from insurance contracts; and
- Net finance income from reinsurance contracts held.

On transition date, 1 January 2022, for contracts measured under the PAA model, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always been applicable;
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always been applicable;
- Derecognised any existing balances that would not exist had IFRS 17 always applied; and
- recognised any resulting net difference in shareholder's equity.

For contracts measured under the GMM, the Company has adopted a Fair Value Approach for transition to IFRS 17.

v) Transition

Choice of method

Changes in accounting policies resulting from the adoption of IFRS 17 are applied using a Modified Retrospective Approach (MRA). The objective of the MRA is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort.

The Company has opted to adopt Modified Retrospective Approach to achieve a transition result that is as close to the retrospective application as possible where only some information is missing. The simplification considered compared to the full retrospective approach:

- a) If information is not available to be able to separate contracts issued more than one year apart into annual cohorts, these can be aggregated together;
- b) Annual cohorts are bucketed from at least two years immediately before the transition date for the PAA portfolios; and
- c) For the GMM portfolios, all policies in a portfolio before the transition date from the earliest inception policy are bucketed into one cohort.

vi) Comparative

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively. The comparative periods are restated to present comparative information as if the requirements of IFRS 17 and IFRS 9 had always been applied.





4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)

## vii) Impact of Implementation of IFRS 17

The impact of the above implementation has been adjusted in the opening retained earnings as at 1st January 2022 in the financials for the reporting period commencing from 1st January 2023 and will not affect the income statement. The impact is as follows:

## 1 January 2022

Impact on retained earnings	Gross Insurance Contract liabilities	Reinsurance Contract assets	Net Amount
	RO	RO	RO
Loss component	355,918	-	355,918
Discounting	294,268	(209,612)	84,656
Risk adjustment	(3,573,108)	2,701,909	(871,199)
Credit default provision	(218,801)	(56,920)	(275,721)
Change in DAC	1,856,427	(1,124,586)	731,841
GMM CSM	(317,281)	267,808	(49,473)
GMM LFRC changes	(84,113)	(53,396)	(137,509)
Transition impact on adoption of IFRS 17	(1,686,690)	1,525,203	(161,487)
Tax impact 2021			24,223
Impact on legal reserve			13,726
Transition impact net of tax			(123,538)

## 1 January 2023

Impact on retained earnings	Gross Insurance Contract liabilities	Reinsurance Contract assets	Net Amount
	RO	RO	RO
Loss component	(317,845)	4,763	(313,082)
Discounting	2,216,979	(1,542,361)	674,618
Risk adjustment	(3,433,588)	2,641,323	(792,265)
Credit default provision	9,444	(94,207)	(84,763)
Change in DAC	1,940,547	(1,286,566)	653,981
GMM CSM			
GMM LFRC changes	(714,068)	555,871	(158,197)
Transition impact on adoption of IFRS 17	(298,531)	278,823	(19,708)
Reversal of legal and tax impact - Net of 2021			25,179
Change of classification (note 4(c)2)			103,159
Provision for ECL (note 4(c)2)			(118,170)
Tax impact 2022			931
			(8,609)



Dhofar Insurance Company SAOG

Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

- 4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)  
vii) Impact of Implementation of IFRS 17

<u>F.S.A</u>	31 December 2021 (IFRS -4)	Reclassification / Remeasurement	1 January 2022 (IFRS -17)
<b><u>Assets</u></b>			
Property and equipment	2,006,618	-	2,006,618
Investment properties	6,150,000	-	6,150,000
Investments at fair value through profit or loss 4(c)(2)	622,002	669,239	1,291,241
Investments at fair value through other comprehensive income 4(c)(2)	5,929,629	(669,239)	5,260,390
Investment in associates	4,313,249	-	4,313,249
Investments at amortised cost 4(c)(2)	11,296,125	(59,034)	11,237,091
Bank deposit 4(c)(2)	27,492,674	(59,136)	27,433,538
Insurance and reinsurance contract receivable	15,118,411	(15,118,411)	-
Reinsurer's share of funds	53,170,217	(53,170,217)	-
Reinsurance contract assets		47,795,795	47,795,795
Other receivables	2,375,761	(123,090)	2,252,671
Cash and cash equivalents	12,354,923	-	12,354,923
<b>Total Assets</b>	<b>140,829,609</b>	<b>(20,734,093)</b>	<b>120,095,516</b>
<b><u>Liabilities</u></b>			
Optional convertible bonds	3,000,000	-	3,000,000
Deferred tax liability	519,362	-	519,362
Employee benefit liabilities	398,155	-	398,155
Insurance funds	82,724,956	(82,724,956)	-
Insurance contract liabilities	-	83,932,763	83,932,763
Reinsurance contract liabilities	-	70,434	70,434
Reserves withheld from reinsurers	7,690,780	(7,690,780)	-
Due to reinsurers	4,611,822	(4,611,822)	-
Accounts payable, provisions and accruals	12,376,967	(9,624,665)	2,752,302
<b>Total Liabilities</b>	<b>111,322,042</b>	<b>(20,649,026)</b>	<b>90,673,016</b>
<b><u>Equity</u></b>			
Share capital	11,000,000	-	11,000,000
Retained earnings and reserves	18,507,567	(85,067)	18,422,500
	<b>29,507,567</b>	<b>(85,067)</b>	<b>29,422,500</b>
<b>Total liabilities and equity</b>	<b>140,829,609</b>	<b>(20,734,093)</b>	<b>120,095,516</b>



**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

(Expressed in Omani Rial)

- 4 Adoption of significant new and revised IFRS (continued)**  
**(c) Changes in accounting policies and disclosures (continued)**  
**1) IFRS 17 Insurance Contracts (continued)**  
**vii) Impact of Implementation of IFRS 17**

<b>F.S.A</b>	<b>31 December 2022 (IFRS -4)</b>	<b>Reclassification / Remeasurement</b>	<b>1 January 2023 (IFRS -17)</b>
<b>Assets</b>			
Property and equipment	2,006,808	-	2,006,808
Investment properties	6,150,000	-	6,150,000
Investments at fair value through profit or loss 4(c)(2)	2,741,218	-	2,741,218
Investments at fair value through Other comprehensive income 4(c)(2)	6,686,802	-	6,686,802
Investment in associates 4(c)(2)	3,049,934	-	3,049,934
Investments at amortised cost 4(c)(2)	9,310,363	-	9,310,363
Bank deposit	27,619,314	-	27,619,314
Insurance and reinsurance contract receivable	16,973,268	(16,973,268)	-
Reinsurer's share of funds	55,841,196	(55,841,196)	-
Reinsurance contract assets	-	55,111,079	55,111,079
Other receivables	2,357,599	(52,121)	2,305,478
Cash and cash equivalents	2,643,659	-	2,643,659
<b>Total Assets</b>	<b>135,380,161</b>	<b>(17,755,506)</b>	<b>117,624,655</b>
<b>Liabilities</b>			
Optional convertible bonds	4,000,000	-	4,000,000
Deferred tax liability	557,368	-	557,368
Employee benefit liabilities	390,495	-	390,495
Insurance funds	82,374,140	(82,374,140)	-
Insurance contract liabilities	-	80,972,793	80,972,793
Reinsurance contract liabilities	-	2,484,332	2,484,332
Reserves withheld from reinsurers	8,686,620	(8,686,620)	-
Due to reinsurers	4,444,205	(4,444,205)	-
Accounts payable, provisions and accruals	7,871,148	(5,570,402)	2,300,746
<b>Total Liabilities</b>	<b>108,323,976</b>	<b>(17,618,242)</b>	<b>90,705,734</b>
<b>Equity</b>			
Share capital	10,000,000	-	10,000,000
Retained earnings and reserves	17,056,185	(137,264)	16,918,921
	27,056,185	(137,264)	26,918,921
<b>Total liabilities and equity</b>	<b>135,380,161</b>	<b>(17,755,506)</b>	<b>117,624,655</b>



Dhofar Insurance Company SAOG

Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

- 4 Adoption of significant new and revised IFRS (continued)  
(c) Changes in accounting policies and disclosures (continued)  
1) IFRS 17 Insurance Contracts (continued)  
vii) Impact of Implementation of IFRS 17

<u>F.S.A</u>	31 December 2022 (IFRS - 4)	Reclassification / Remeasurement	31 December 2022 (IFRS - 17)
Gross premium written	65,068,846	(65,068,846)	
Insurance revenue	-	64,228,725	64,228,725
Cost of underwriting premium	(56,375,388)	56,375,388	-
Insurance service expense	-	(38,825,992)	(38,825,992)
Net expense from reinsurance contracts held	-	(24,189,840)	(24,189,840)
Net insurance finance income			620,842
Investment income	3,676,436	103,159	3,779,595
Finance cost	(288,682)	-	(288,682)
Other income	647,452	(617,079)	30,373
Other expenses	(8,532,494)	7,500,411	(1,032,083)
Profit before tax	4,196,170	126,768	4,322,938
Income tax expense	(430,351)	931	(429,420)
<b>Profit after tax</b>	<b>3,765,819</b>	<b>127,699</b>	<b>3,893,518</b>
Net change in investments at fair value through other comprehensive income	(757,173)	(103,159)	(860,332)
<b>Items that will not be reclassified to profit or loss</b>			-
Share of other comprehensive loss from equity accounted investees	(66,987)	-	(66,987)
Income tax relating to items in other comprehensive income	9,723	27,657	37,380
Other comprehensive	(814,437)	(75,502)	(889,939)
<b>Total comprehensive income for the year</b>	<b>2,951,382</b>	<b>52,197</b>	<b>3,003,579</b>





4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

2) IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement". Specifically, IFRS 9 requires all financial assets and liabilities to be classified and subsequently measured at either amortised cost or fair value on the basis of the Company's business model for managing the financial assets and liabilities and the contractual cash flow characteristics of the financial assets and liabilities.

*Initial measurement of financial instruments*

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. On this date, financial assets are classified at amortised cost or fair value.

*Subsequent measurement of financial assets*

IFRS 9 divides all financial assets that were in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where the Company measures financial assets at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss - "FVTPL"), or recognised in other comprehensive income (fair value through other comprehensive income - "FVTOCI").

*Debt instruments*

The Company measures a debt instrument, that meets the following two conditions, at amortised cost (net of any write-down for impairment) unless the asset is designated at FVTPL under the fair value option:

- a. Business model test: The objective of the Company's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).
- b. Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

All other debt instruments are measured at FVTPL.

The assessment of the Company's business model was made as of the date of initial application i.e. 1 January 2022. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Company's financial assets include trade receivables and other financial assets at amortised cost, investment in fixed deposits and cash and cash equivalents. Due to their short-term nature, the carrying values of the financial assets of the Company approximate their fair values, hence these financial assets qualify for and are classified as debt instruments measured at amortised cost.

The classification and measurement requirements of IFRS 9 will have the following impact on the Company's financial assets:

- Non-current financial assets (i.e., held-to-maturity investments in fixed deposits and bonds) classified as held-to-maturity as at 31 December 2022 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost starting from 1 January 2023.
- Equity investments in listed companies classified as available-for-sale financial assets as at 31 December 2022 are classified and measured as equity instruments designated at fair value through other comprehensive income as at 1 January 2023. The Company has elected to classify irrevocably its listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. Consequently, all fair value gains and losses will be reported in other comprehensive income and will not be reclassified to profit or loss on disposal.



## 4 Adoption of significant new and revised IFRS (continued)

## (c) Changes in accounting policies and disclosures (continued)

## 2) IFRS 9 Financial Instruments (continued)

## • Debt Instruments

Classification and measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments at amortised cost based on the below:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Investments in bonds of nationalised banks are carried at amortised cost.

The Company has not designated any financial liabilities at fair value through other comprehensive income and continues to classify them at amortised cost. Accordingly, there are no changes in the classification and measurement of the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company has following either the elected or required reclassifications as at 1 January 2022.

	Fair value through profit or loss (RO)	Amortised cost (RO)	Fair value through other comprehensive income (RO)
<b>IAS 39 measurement category</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	15,765,063	-
Bank deposits	-	27,625,757	-
Investments at fair value through profit or loss (held-for-trading)	3,495,482	-	-
Investments at fair value through other comprehensive income (available-for-sale)	-	-	6,838,637
Investments at amortised cost (held-to-maturity)	-	13,751,543	-
Other receivables	-	1,884,988	-
<b>Total financial assets</b>	<b>3,495,482</b>	<b>59,027,351</b>	<b>6,838,637</b>
<b>Financial liabilities</b>			
Optional convertible bonds	-	2,000,000	-
Other payables	-	2,301,222	-
<b>Total financial liabilities</b>	<b>-</b>	<b>2,301,222</b>	<b>-</b>

*Subsequent measurement of financial liabilities*

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest rate (EIR) method.

The Company's financial liabilities consists of other payables and optional convertible bonds which are short-term and long term in nature and their carrying values approximate their fair values, and hence are measured at amortised cost.



4 Adoption of significant new and revised IFRS (continued)

(c) Changes in accounting policies and disclosures (continued)

2) IFRS 9 Financial Instruments (continued)

*Derecognition of financial assets*

The Company determines if the asset under consideration for derecognition is:

- an asset in its entirety; or
- specifically identified cash flows from an asset (or a group of similar financial assets); or
- a fully proportionate (pro-rata) share of the cash flows from an asset (or a group of similar financial assets); or
- a fully proportionate (pro-rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, the Company performs an assessment as to whether the asset has been transferred and, if so, whether the transfer of that asset is subsequently eligible for derecognition. An asset is transferred if either the Company has transferred the contractual rights to receive the cash flows, or the Company has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows under an arrangement that meets the following three conditions:

- a. the Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- b. the Company is prohibited from either selling or pledging the original asset; and
- c. the Company has an obligation to remit those cash flows without material delay.

Once the Company has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

*Impairment*

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of issuers, or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses (ECL) as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date, the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring ECL:

- Financial assets measured at amortised cost;
- Financial assets mandatorily measured at FVTOCI and
- Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:

- the 12-month ECL (ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (ECL that result from all possible default events over the life of the financial instrument).



**4 Adoption of significant new and revised IFRS (continued)****(c) Changes in accounting policies and disclosures (continued)****2) IFRS 9 Financial Instruments (continued)***Derecognition of financial assets (continued)*

The Company provides for a loss allowance for full lifetime ECL for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL.

The Company determines the amount of ECL by evaluating the range of possible outcomes as well as incorporating the time-value of money. These expected losses are discounted to the reporting date using the EIR of the asset (or an approximation thereof) that was determined at initial recognition.

Upon adoption of IFRS 9, the Company has performed an impairment testing based on the (ECL) approach and has recognised an additional impairment on the Company's trade receivables resulting in a decrease in retained earnings by RO 118,171 as at 1 January 2022.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2022 (RO)	Remeasurement (RO)	at 1 January 2022 - Restated (RO)
Cash and cash equivalents*	-	-	-
Bank deposits	27,492,674	27,551,810	(59,136)
Investments at amortised cost	11,296,125	11,237,091	(59,034)
	<b>38,788,799</b>	<b>38,788,901</b>	<b>(118,170)</b>
<b>Net impact on retained earnings</b>			<b>(118,170)</b>

\*The Company has regular dealings with banks and all the bank accounts are active. Moreover, there are no indicators of any significant increase in credit risk and the probability of default is very low. Therefore, no impairment provision is required to be created on these balances for the year 2022.

**5 Material accounting policy information**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In preparing these financial statements, the significant judgements made by management in applying the accounting policies and estimates which should be read in conjunction with the annual financial statements prepared as at, and for the year ended 31 December 2022. The critical and significant judgements and changes in judgements made in applying IFRS 17 are given below:





**5 Material accounting policy information (continued)****Material judgements and policy choices**

Accounting policy judgement area	Company decision
- Use of other comprehensive income for insurance finance income / expense	Did not opt
- Risk adjustment unwinding within insurance service results or split between insurance service results and insurance finance expense.	Did not opt
- Where using PAA, whether deferral of acquisition cost for life and non-life have been opted for 1 - year contract	Opted
- Discounting contracts of one year or lesser duration for determining LIC	Opted
- Length of cohorts (e.g., annual, quarterly, monthly, etc.)	Annual
- Allocation of cash flows between loss component and LFRC for unprofitable contracts.	Done on a systematic basis
- Adjustment of cash flows for CSM calculations (quarterly vs actual)	Annual

**(a) Fulfilment cash flows**

Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

**(b) Liability for Remaining Coverage (LFRC)**

The fulfilment cashflows related to future service are required when recognised for all GMM portfolios and in case of insurance and reinsurance portfolios under PAA in case of an onerous group, whereby the Liability for Remaining Coverage under the GMM was established in order to derive the onerous loss.

The expected future cash flows relating to future service for GMM portfolios were estimated as follows:

The expected present value of future benefits and attributable expenses less the expected present value of future premiums

The expected future cash flows relating to future service for PAA portfolios were estimated as follows:

All cash flows were projected and reported on a monthly basis within the calculation engine, discounted to present terms. The present value of expected inflows was subtracted from the present value of expected outflows and the total present value of expected cashflows was derived.

Expected future premium payments: which was based on the premium inputs with a receipt pattern derived for the future premiums. The premium receipt pattern was derived based on historical data.

All cash flows were projected and reported on a quarterly basis within the calculation engine, discounted to present terms. The present value of expected inflows was subtracted from the present value of expected outflows and the total present value of expected cashflows was derived.

The sum of the present value of expected cash flows and the Risk Adjustment (RA) related to future service comprised the fulfilment cashflows for LFRC



**5 Material accounting policy information (continued)****(c) Liability for Incurred Claims (LFIC)**

The Fulfilment Cashflows for LFIC comprise the following:

- Best estimate of Unpaid or Outstanding claims, Incurred but Not Reported (IBNR) and Incurred but Not Enough Reported (IBNER).
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- RA for past and present coverage .
- Adjustment for Discounting

The estimates and judgements used for arriving at the Outstanding claims, IBNR, IBNER and ULAE. The Non-invasive changes are anticipated to claims reserving under IFRS 17 therefore the current methodology is considered as fit for purpose to assess ultimate loss development and IBNR / IBNER provisions. In future if changes are required, it is anticipated that these will be minimal.

The expenses attributable to claims maintenance and Risk Adjustment to the LFIC as well as application of Discounting which was developed and applied to LFIC within the calculation engine.

**(d) Risk adjustment**

The purpose of the Risk Adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The total RA is composed of the RA for LFIC plus the RA for LFRC of the Company's GMM portfolios and for the calculation of LFRC of onerous groups of the PAA portfolios.

The Risk adjustment for GMM & PAA portfolios were estimated as follows:

The methodology used for RA is based on a mix of results of Company's own experience variability and the value risk ("VaR") approach in line with Solvency II. The Appointed Actuary calibrated the parameters of the distribution based on the experience and credibility of the historical data. The level of percentile is decided by the Company as 70th percentile (31 December 2022 - 70%) based on the data and past experience. The diversification benefit for GMM portfolios has been allowed for in the estimation of RA driven by expected correlation matrix as prescribed by Solvency II. While the diversification benefit for PAA portfolios has been allowed for in the estimation of RA driven by the mix of business and the expected correlations between them.

The Company has chosen not to disaggregate insurance finance income or expenses into amounts presented in profit or loss and in other comprehensive income.

**PAA 2023**

Changes in assumption		Insurance contract liabilities	Insurance contract assets	Net contract liabilities
	%	RO	RO	RO
Discount Rate	1%	90,540	(47,824)	42,716
Discount Rate	-1%	(90,540)	54,859	(35,681)
Risk Adjustment	3%	(216,824)	124,427	(92,398)
Risk Adjustment	-3%	197,291	(112,989)	84,301



## 5 Material accounting policy information (continued)

## (d) Risk adjustment (continued)

## GMM 2023

Changes in assumption		Insurance contract liabilities	Insurance contract assets	Net contract liabilities
	%	RO	RO	RO
Risk Adjustment	-3%	90,540	(47,824)	42,716
Risk Adjustment	3%	(90,540)	54,859	(35,681)
Discount Rate	-1%	(216,824)	124,427	(92,398)
Discount Rate	1%	197,291	(112,989)	84,301
Mortality	-10%	86,109	(56,715)	29,395
Mortality	10%	(85,465)	56,885	(28,580)
Expenses	-5%	34,044	(20,531)	13,513
Expenses	5%	(33,141)	20,531	(12,610)

## PAA 2022

Changes in assumption		Insurance contract liabilities	Insurance contract assets	Net contract liabilities
	%	RO	RO	RO
Discount Rate +1%	1%	478,155	(261,531)	216,624
Discount Rate -1%	-1%	(490,372)	268,527	(221,845)
Risk Adjustment +2.5	3%	(1,560,595)	1,011,152	(549,443)
Risk Adjustment -2.5	-3%	1,551,215	(1,005,524)	545,691

## GMM 2023

Changes in assumption		Insurance contract liabilities	Insurance contract assets	Net contract liabilities
	%	RO	RO	RO
Risk Adjustment	-3%	90,540	(47,824)	42,716
Risk Adjustment	3%	(90,540)	54,859	(35,681)
Discount Rate	-1%	(216,824)	124,427	(92,398)
Discount Rate	1%	197,291	(112,989)	84,301
Mortality	-10%	86,109	(56,715)	29,395
Mortality	10%	(85,465)	56,885	(28,580)
Expenses	-5%	34,044	(20,531)	13,513
Expenses	5%	(33,141)	20,531	(12,610)



**(d) Risk adjustment (continued)****(e) Discount rates**

The Discount rates for GMM & PAA portfolios were estimated as follows:

This was derived using the Bottom-Up approach from the EIOPA USD curve used adjusted for both of its GMM and PAA portfolios, the Company has used the following discount rates:

Financial Reporting	1 Year	5 Year	10 Year	15 Year	20 Year
30-Dec-23	4.76%	3.50%	3.45%	3.32%	3.32%
30-Dec-22	5.07%	3.95%	3.75%	3.71%	2.95%

The calculation engine adopted has the capability to adjust LFRC and LFIC for the time value of money, if required, and accommodates the required yield curves. For its PAA portfolios, the Company has used yield curve rates in the range of 4.76% to 3.32% (31 December 2022: 5.07% to 2.95%) to discount cash flows.

**(f) Foreign currency****i) Functional and presentation currency**

The financial statements are presented in Omani Rials (RO), which is the Company's functional and presentation currency.

**ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at either the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at the year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income.

**(g) Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and any identified impairment loss, except for freehold land which is not depreciated. The cost of property and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the year in which they are incurred.

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

Description	% per annum
Buildings on freehold land	4
Office furniture and equipment	25
Motor vehicles	25

Freehold land is not depreciated as it is deemed to have an infinite future life.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.





**5 Material accounting policy information (continued)**

**(g) Property and equipment (continued)**

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written-down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment, determined by reference to their carrying amounts, are recognised within 'other income' and are taken into account in determining net profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy. Interest costs on bank borrowings to finance specific property and equipment are capitalised during the period that is required to bring the asset to a condition when it is ready for use.

**(h) Investment properties**

Investment properties are properties which are held either to earn rental income, or for capital appreciation or both. Investment properties are stated at their fair values. External independent valuers, having appropriate recognised professional qualifications and experience, value the investment property at every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gains or losses arising from changes in fair value of the investment properties are recognised in the statement of profit or loss and other comprehensive income.

When selling an investment property, fair value is determined, and any resulting gain or loss is recorded in the income statement. For purchases, the property is recognized at cost, including directly attributable transaction costs. Compliance with IAS 40 ensures transparent and accurate financial reporting of investment property

**(i) Investment in associates (equity accounted investees)**

Associates are those entities over which the Company exercises significant influence, but does not control or jointly control, over the financial and operating policies. Investment in associates are accounted for using the equity method, which are recognised initially at cost including transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

The most recent available financial statements of the associates are used by the Company. When the reporting dates of the Company and the associate are different, the associate prepares the financial statements as of the same date as the financial statements of the Company unless it is impracticable to do so.



**5 Material accounting policy information (continued)**

**(i) Investment in associates (equity accounted investees) (continued)**

When the financial statements of an associate are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. In any case, the difference between the reporting date of the associate and that of the Company is not more than three months.

**(j) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Financial instruments**

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**[A] Financial assets**

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

**(i) Classification**

The financial assets are classified in the following measurement categories:

- a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- b) those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded in the profit or loss. For investments in equity instruments, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

**(ii) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income as incurred.



**5 Material accounting policy information (continued)**

**(k) Financial instruments (continued)**

**[A] Financial assets (continued)**

**(ii) Measurement (continued)**

The Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

**Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments at amortised cost based on the below:

- a) the asset is held within a business model with the objective of collecting the contractual cash flows; and
- b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate (EIR).

**Equity instruments**

If the Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in the statement of profit or loss and other comprehensive income as other income when the Company's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss is recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income.

**(iii) De-recognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(iv) Impairment of financial assets**

The Company applies the Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortised cost e.g., loans, deposits and trade receivables.



**5 Material accounting policy information (continued)**

**(k) Financial instruments (continued)**

**[A] Financial assets (continued)**

**(iv) Impairment of financial assets (continued)**

ECL is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The ECL considers the amount and timing of payments and hence a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The ECL method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognising allowance for ECL in the statement of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 months ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. '12 months ECL' represent the ECL resulting from default events that are possible within 12 months after the reporting date. 'Lifetime ECL' represent the ECL that result from all possible default events over the expected life of the financial asset. Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime ECL does not differ from that measured as 12 months ECL. The Company uses the practical expedient in IFRS 9 for measuring ECL for trade receivables using a provisioning matrix based on aging of the trade receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the aging of the amounts that are past due and are generally higher for those with the higher aging.

**(v) Income recognition**

**Interest income**

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the EIR, which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original EIR.

**Dividends**

Dividend income is recognised when the right to receive dividend is established, unless collectability is in doubt.

**Rental income**

Revenue from rental income of investment properties are reported within 'Investment income'.

**[B] Financial liabilities**

The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the business model for managing the financial liabilities and the contractual terms of the cash flows.

**(i) Classification**

The financial liabilities are classified in the following measurement categories:

- those to be measured as financial liabilities at fair value through profit or loss; and
- those to be measured at amortised cost.

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortised cost like borrowings are accounted at the fair value determined based on the EIR after considering the directly attributable transaction costs.



**5 Material accounting policy information (continued)**

**(k) Financial instruments (continued)**

**[B] Financial liabilities (continued)**

**(i) Classification (continued)**

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, and subsequently measured at fair value.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charged over the relevant EIR period. The EIR is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

The Company's financial liabilities include trade and other payables and due to related party. The Company measures financial liabilities at amortised cost.

**(ii) Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

**(l) Insurance service expense**

The Company predominantly incurs costs directly related to fulfilling insurance contracts, identified either at an individual contract level or allocated to groups of contracts using reasonable and supportable information. Following the IFRS 17 classification, expenses are categorized into three main groups: insurance acquisition costs, incurred claims and claim handling expenses, and administrative costs. Insurance acquisition costs, covering selling and underwriting, are deferred as part of the Liability for Remaining Coverage (LFRC) and amortized within Insurance Service Expenses. Incurred claims and claim handling expenses, including investigation and processing costs, are integrated into the Liability for Incurred Claims (LFIC) and contribute to Insurance Service Expenses. Administrative costs, encompassing general administrative expenses related to insurance servicing, are allocated using systematic methods and recognized as incurred on an accruals basis under the Premium Allocation Approach (PAA), expensed directly in the Statement of Profit or Loss as part of

**(l) Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(m) Cash and cash equivalents**

For the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and short-term fixed deposits with original maturities of three months or less from the date of placement.

**(n) Insurance contracts**

The Company writes Life, Medical and General Insurance policies, which are measured as per the table in note 4(c)(i)(iii) and are described as below:



5 Material accounting policy information (continued)

(k) Financial instruments (continued)

[B] Financial liabilities (continued)

(n) Insurance contracts (continued)

1) Life Insurance Contracts

- Individual life policies

Conventional life insurance policies cover events related to human life over an extended period, with premiums recognized as revenue upon receipt. Year-end provisions are made for outstanding premiums on policies that have not lapsed. Benefits are expensed when incurred, and each policy guarantees a defined benefit amount. Additionally, reversionary and terminal bonuses, determined by individual life portfolio profitability, may be declared by the company, with reversionary bonuses converting into guaranteed benefits. In contrast, term assurance policies pay benefits only upon the insured's death, featuring constant or decreasing sum assured, and are without profit policies.

- Individual credit life policies

Single premium, individual life insurance contracts are designed to safeguard financial institutions against the impact of events like death or disability that may hinder customers' loan repayment capacity. These without-profit policies are issued for the loan duration, with the premium received as a single payment. Additional amounts are received for loan top-ups, and refunds are permitted for pre-closure or changes in loan terms.

- Group credit life policies

Group life insurance contracts are issued to financial institutions to safeguard their loan portfolios. These contracts protect the institution's customers from events like death or disability that may impact borrowers' loan repayment ability. Issued on two bases - for the loan duration with a single premium or short-term covering one year at a time with monthly premiums based on outstanding balances - these contracts provide flexibility for loan-related insurance coverage.

- Group life policies

Short-term group life insurance contracts cover employees of a common employer, providing protection against events like death or disability affecting income. The employer is safeguarded from economic loss, with guaranteed benefits fixed or linked to the extent of the loss. These contracts lack maturity or surrender benefits.

- Retail/personal accident policies

Term life insurance contracts, typically spanning one to two years, cover employees for an employer, shielding them from events like death or disability impacting income. The employer is protected from economic loss, with guaranteed benefits either fixed or linked to the extent of the loss. These contracts lack maturity or surrender benefits.

2) Medical insurance contracts

- Group medical policies

Short-term group medical insurance contracts cover employees of a common employer, safeguarding employers from losses due to employee medical treatment. The coverage includes both hospitalization and outpatient expenses, with the company disbursing hospital claims directly to healthcare providers. These policies lack maturity or surrender benefits.



**5 Material accounting policy information (continued)**

**(o) Insurance contracts**

**2) Medical insurance contracts (continued)**

**- Individual medical policies**

These are policies for a period which range between one to three years. These contracts protect the insured from losses resulting from medical treatment as a result of ill-health or accident, covering both hospitalization and out-patient expenses. There is no maturity or surrender benefits for these policies.

**3) General insurance contracts**

In general insurance contracts, the Company mainly issues short-term insurance contracts in connection with motor and non-motor (which includes risks such as property, engineering, liability and marine risks)

**- Motor insurance**

Motor insurance policies compensate insured for damage suffered to their vehicles or liability to third parties arising through motor accidents. Contract holders could also receive compensation for the fire or theft of their vehicles. Motor vehicles include both own damage and third-party liability which are further classified as private and commercial vehicles.

**- Property insurance**

Property insurance compensates insured for damage suffered to properties or for the value of property lost. Policies cover risks such as fire and allied perils, property all risks, householders comprehensive risks, etc.

**- Engineering insurance**

Engineering insurance compensates insured for damages to plant & machinery, projects, electronic equipment, heavy machinery/ vehicles, etc. due to accident.

**- Liability insurance**

Liability insurance compensates insured for liability arising through public liability, professional indemnity, employers liability, extended warranty, etc.

**- Marine insurance**

Marine insurance compensates insured for damage and liability arising through loss or damage to marine craft/ cargoes due to accidents at sea.

**(p) Reinsurance contracts held**

The company accounts for reinsurance contracts held in two scenarios:

(i) For non-proportionate reinsurance contracts, recognition occurs at the earlier of the coverage period's start or, for arrangements linked to onerous contracts, when recognizing the underlying onerous contract.

(ii) In the case of proportionate reinsurance, recognition is at the later of the coverage period's beginning or the date of the first recognition of the underlying gross insurance contract.

**(q) Reinsurance contracts Assets**

At each reporting date, the Company assesses whether there is any indication that a reinsurance contract asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance contract asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.



**5 Material accounting policy information (continued)**

**(r) Other expenses**

The abnormal amounts of wasted labor, costs not directly attributable to the insurance portfolio, and investment expenses, are omitted from insurance contract measurement. The Company adheres to these exclusions in accordance with IFRS 17 requirements, ensuring a comprehensive and accurate representation of costs associated with insurance contracts.

**(s) Insurance / reinsurance finance income / (expense)**

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

**(t) Contingency reserve**

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979, and the letter CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims at the statement of financial position date for general insurance and 1% of the premiums for the year for life business are transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued and fully paid-up share capital of the Company.

**(u) Other payables**

Other payables are initially measured at fair value and subsequently carried at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Company.

**(v) Employee benefit liabilities and leave entitlements**

The provision for employee benefit liabilities is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date with regard to the requirements of the Oman Labour Law, 2023 and the Social Security Law, 1991.

**Government of Oman Social Insurance Scheme (the Scheme)**

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at 12.5% and 8%, respectively, of gross salaries.

**Non-Omani employee terminal benefits**

The provision for end-of-service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end-of-service benefits calculated at the rate of 30 days basic salary for each year of continuous service. This is an unfunded defined benefits retirement plan. Accrued non-Omani end-of-service benefits are payable on termination of employment.

**(w) Revenue recognition**

**General insurance contracts, short-term life insurance contracts and long-term group life insurance contracts**

The Company classifies insurance revenue recognition into the Premium Allocation Approach (PAA) and the General Measurement Model (GMM) for all insurance contracts, as detailed in Note 5(o) and outlined in Note 4(c)(i)(iii). The recognition of revenue under these approaches is as follows:





**(w) Revenue recognition (continued)**

**General insurance contracts, short-term life insurance contracts and long-term group life insurance contracts (continued)**

**PAA**

Under PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component), allocated to the period based (a) on the passage of time or (b) if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

**GMM**

For GMM contracts, on initial recognition, the company measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows,

(b) any cash flows arising at that date and

(c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (c)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For subsequent measurement, the carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises

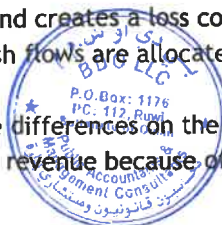
(a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and

(b) any remaining CSM at that date. The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The CSM of each group of contracts is calculated at each reporting date as follows: -

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - i) any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - ii) any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.



**(w) Revenue recognition (continued)**

**General insurance contracts, short-term life insurance contracts and long-term group life insurance contracts (continued)**

Insurance revenue consists of the amounts relating to the changes in the liability for remaining coverage: -

- (i) amounts related to expected benefits and expenses
- (ii) the change in the risk adjustment for non-financial risk,
- (iii) the amount of the contractual service margin recognised in profit or loss because of the transfer of insurance contract services in the period,
- (iv) experience adjustments for premium receipts and acquisition expenses other than those that relate to future service
- (v) the allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.

**Policy fees and transfer fees**

Insurance policyholders are charged for policy administration services, transfer fees and other contract fees. Insurance policy fees and transfer fees are considered as part of Insurance revenue and recognised as income over the period of service which is generally the period of the policy.

**(x) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax-rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax-rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(x) Directors' remuneration**

The Directors' remuneration is governed as set out by the Commercial Companies Law of the Sultanate of Oman and the Rules and Guidelines on Disclosure prescribed by the Capital Market Authority.

The Annual General Meeting approves the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed the limits prescribed by the Regulations of CMA. The sitting fees for each Director shall not exceed RO 10,000 in one year.

**(z) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.



5 Material accounting policy information (continued)

(aa) Fair values and fair value hierarchy

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date, adjusted for transaction costs necessary to realise the asset.

For unquoted investments, a reasonable estimate of the fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest-rates for items with similar terms and risk characteristics.

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from

Level 3: Valuation techniques using significant unobservable inputs. This category included all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There have been no transfers from one level to the other.

(ab) Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the senior management to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.



**5 Material accounting policy information (continued)**

**(ab) Operating segment**

**Level of Aggregation: Portfolio**

On the basis of the current view of contract classification, the chosen portfolio for IFRS 17 are as follows:

Direct and any Inward business written will be aggregated as follows:

- Fire;
- Marine Cargo;
- Marine Hull;
- Engineering;
- General Accident;
- Liability and Financial lines;
- Motor;
- Medical;
- Group life short-term; and
- Long term life portfolio.

Outward reinsurance will be aggregated as follows:

- For treaty, each program will be modelled individually; and
- For facultative arrangement, it will be group by line of business.

The grouping meets the portfolio requirement of "similar risk" due to the following:

- Lines of business are grouped based on the risks covered under contracts.
- The lines of business split allows for a differentiation across major categories risks which are expected to differ significantly in the amount, timing and run-off of claim obligation.
- Contracts written within each line of business will cover similar perils and thus risks.

Furthermore, the portfolio requirement of "managed together" is met as underwriting, actuarial, senior management and Board measure and monitor performance of the book primarily on a line of business basis. While additional detail is explored when required, performance attribution and strategy is focused on this level.

**Level of Aggregation: Profitability group**

The Company will use the minimum level of profitability grouping as prescribed by the Standard. No further sub-divisions within these categories will be performed. Priority is given to the assessment of profitability on a Line of Business level, however, based on available facts and circumstances the company upon advice with its underwriting function will segregate certain contracts by way of different profitability groups.

The current approach is that for each policy written within the portfolio, its initial profitability assessment is done by the underwriting function using the following criteria:

- a. Not onerous and have no significant likelihood of becoming onerous - Policy with combined ratio for lesser than 97.5%
- b. Onerous - Policy with combined ratio for higher than 100%.
- c. The remaining contracts - Policy with combined ratio between 89% (inclusive) and 100% (inclusive).

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.



**5 Material accounting policy information (continued)**

**(ac) Contract boundaries**

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

**For insurance contract**

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those risks.
- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

**For reinsurance contract**

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay amount to the reinsurer or has a substantive right to receive.

A substantive right to receive ends when:

- The Company has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks.
- The Company has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

**(ad) Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

**(ae) Leases - the Company as a lessee**

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**(af) Significant management judgments**

**(i) Going concern**

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding, including unutilised credit facilities with banks, to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.



**5 Material accounting policy information (continued)**

**(af) Significant management judgments (continued)**

**(ii) Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**(iii) Taxation**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

**(iv) Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

**Estimation uncertainty**

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**(v) Impairment of investments**

The Company follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

**(vi) Useful lives of property and equipment**

The Company's property and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful lives of property and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue economic benefit to the Company.

**(vii) Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company has used unadjusted net asset value of the investees as a significant portfolio of the underlying assets and liabilities of the investees are either fair valued or are in cash and cash equivalents where the fair value approximate the carrying value.



**5 Material accounting policy information (continued)**

**(af) Significant management judgments (continued)**

**(viii) Impairment reviews**

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;
- b) timing and quantum of future capital expenditure;
- c) long-term growth rates; and
- d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

**(ix) Fair value measurements**

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. The classification of an item into the level 1, level 2 and level 3 hierarchy is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they

**(x) Fair value of investments - Quoted/unquoted**

The Company determines fair values of investments that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited financial statements and un-audited management accounts.



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**6 Property and equipment**

The movement in property and equipment is as set out below:

2023	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	Total
<b>Cost:</b>					
At 1 January 2023	548,000	1,577,000	3,972,806	98,875	6,196,681
Additions during the year	-	-	117,687	-	117,687
At 31 December 2023	548,000	1,577,000	4,090,493	98,875	6,314,368
<b>Accumulated depreciation:</b>					
At 1 January 2023	-	322,160	3,769,028	98,875	4,190,063
Charge for the year	-	63,080	94,369	-	157,449
At 31 December 2023	-	385,240	3,863,397	98,875	4,347,512
<b>Net book value:</b>					
At 31 December 2023	548,000	1,191,760	227,096	-	1,966,856
<b>2022</b>					
<b>Cost:</b>					
At 1 January 2022	548,000	1,577,000	3,784,455	98,875	6,008,330
Additions during the year	-	-	188,351	-	188,351
At 31 December 2022	548,000	1,577,000	3,972,806	98,875	6,196,681
<b>Accumulated depreciation:</b>					
At 1 January 2022	-	259,080	3,643,567	98,875	4,001,522
Charge for the year	-	63,080	125,461	-	188,541
At 31 December 2022	-	322,160	3,769,028	98,875	4,190,063
<b>Net book value:</b>					
At 31 December 2022	548,000	1,254,840	203,778	-	2,006,618

6.1 Freehold land and buildings on freehold land are held under lien with the CMA (Note 11).



Dhofar Insurance Company SAOG

Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

7 Investment properties	2023	2022
As at 1 January	6,150,000	6,150,000
Purchases during the year	161,490	-
Changes in fair value during the year through profit or loss	(211,490)	-
As at 31 December	<u>6,100,000</u>	<u>6,150,000</u>

Investment properties comprise of four real-estate investments which are located in Muscat, Sultanate of Oman. During the year 2021, one of the properties was reclassified from investment property under IAS 40 'Investment Properties' to own-use according to IAS 16 'Property, Plant and Equipment'.

The carrying amount of the investment properties is the aggregate fair value as determined by an independent property valuer. Fair value was determined as being the most probable price the property can fetch in a competitive open market. The Company obtained a valuation of its investment properties from an independent property valuer as on 5th October 2023, which indicated that the fair values of the investment properties were decreased by RO 211,490 (2022: RO Nil). Which has been charged to the statement of comprehensive income.

Real estate properties are held under lien with the CMA (Note 11).

7.1 Revaluation reserve	2023	2022
Opening and closing revaluation reserve	<u>561,450</u>	<u>561,450</u>

The revaluation reserve is non-distributable.

8 Investments	2023	2022 (Restated)
Investments at fair value through other comprehensive income (a)	6,838,637	5,260,390
Investments in associates:		
Dhofar Food & Investment Company SAOG (b)	9,605,983	-
Omani Gulf Food Company LLC (b)	-	4,313,249
Investments at fair value through profit or loss:		
Investment in money market funds (c)	2,198,090	201,477
Others (d)	1,297,392	1,089,764
	<u>13,101,465</u>	<u>5,604,490</u>
Investments at amortised cost (e)	<u>13,751,543</u>	<u>11,237,091</u>
Total investments	<u>33,691,645</u>	<u>22,101,971</u>

a) Investment at fair value through other comprehensive income	2023	2022 (Restated)
As at 1 January	5,260,390	6,120,722
Changes in fair values (f)	1,578,247	(860,332)
As at 31 December	<u>6,838,637</u>	<u>5,260,390</u>



**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

(Expressed in Omani Rial)

<b>8 Investments (continued)</b>		
<b>a) Investments at fair value through other comprehensive income (continued)</b>		
	<b>2023</b>	<b>2022</b> (Restated)
<b>Quoted equity investments:</b>		
<b>Local quoted equity investments:</b>		
Investment sector	4,258,197	2,753,145
	<u>4,258,197</u>	<u>2,753,145</u>
<b>Foreign quoted equity investments:</b>		
Insurance sector	57,882	31,834
<b>Unquoted investments:</b>		
- Dhofar University SAOC, Oman	1,420,674	1,385,956
- Omani Unified Bureau of Orange Card SAOC, Oman	283,073	270,644
- Salalah Ports and Airport Logistics Services SAOC, Oman	80,200	80,200
- Arab War Risk Insurance Syndicate, Bahrain	738,611	738,611
	<u>2,522,558</u>	<u>2,475,411</u>
<b>Total investment at fair value through other comprehensive income</b>	<u><b>6,838,637</b></u>	<u><b>5,260,390</b></u>

At 31 December 2023, investments at fair value through other comprehensive income amounting to RO 4,316,078 (2022: 3,419,587 RO ) are measured using Level I and RO 2,522,558 (2022: RO 2,475,411) are measured using Level III of fair value hierarchy.

<b>b) Investment in associates</b>	<b>2023</b>	<b>2022</b> (Restated)
Investment in associates	<u>9,605,983</u>	<u>4,313,249</u>

The Company has the following investment in associates:

Name of the associate	Number of shares	Percentage of issued share capital	2023	2022 (Restated)
Dhofar Food and Investment SAOG (DFNI)	64,903,846	32.83%	9,605,983	-
Omani Gulf Food Company LLC [formerly Oman Vegetable Oils & Derivatives Co. LLC (OVOD)]	2,500,000	38.46%	-	4,313,249
Trust Syria Insurance Company SASC	2,493,217	34.00%	-	-
			<u>9,605,983</u>	<u>4,313,249</u>

	<b>2023</b>	<b>2022</b>
As at 1 January	4,313,249	3,049,934
Share of loss/(profit) of the period (OVOD)	171,256	1,330,302
Acquisition during the year (DFNI)	5,192,308	-
Disposal during the year (OVOD)	(5,192,308)	-
Gain on sale of OVOD	742,803	-
Share of profit during the year (DFNI)	692,268	-
Bargain Gain on investment in associate	3,892,663	-
Change in fair value reserve	(35,000)	(66,987)
	<u>9,777,239</u>	<u>4,313,249</u>



**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

(Expressed in Omani Rial)

**8 Investments (continued)**

**b) Investment in associates (continued)**

During the year Dhofar Foods and Investment Company SAOG (DFNI) purchased shares of Omani Gulf Food Company (OVOD) from the Company at an agreed price of RO 5,192,308. In consideration, Shares of Dhofar Foods and Investment Company SAOG was issued to the Company at a price of 80 baiza per share, on a private placement basis and the Company became a shareholder in DFI with a shareholding of 32.833%.

Based on the purchase price allocation exercise, for the acquisition of the shares in Dhofar Foods and Investment Company SAOG, the company has booked the Bargain gain of RO 3,892,663.

At 31 December 2023, the Company recorded share of profit from DFNI in its statement of financial position of RO 521,012.

Due to the economic conditions in Syria, the Company had accounted for an impairment loss of the entire amount of RO 2,493,217 invested in TSI in the financial year ended 31 December 2015.

Summarised financial information of the associates as at, and for the year ended, 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
	DFNI	OVOD
Total assets	73,568,000	23,922,530
Total liabilities	44,734,000	1,270,763
Revenue for the year	57,052,000	6,122,254
Net Loss for the year	(274,000)	3,332,487

**c) Investment in money market funds**

	2023	2022 (Restated)
As at 1 January	201,477	2,042,532
Additions during the year	4,882,136	500,000
Disposals during the year	(2,931,117)	(2,342,313)
Changes in fair value for the year	45,594	1,258
As at 31 December	<u>2,198,090</u>	<u>201,477</u>

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 has being used for MMF to incorporate the mark-to-market with changes in fair value taken to profit or loss account. Investments in money market funds amounting to RO 2,198,090 (2022: RO NIL) are held under lien with the CMA (Note 11).

**d) Others**

	2023	2022 (Restated)
As at 1 January	1,089,764	1,264,766
Purchases during the year	610,971	87,050
Disposals during the year	(451,545)	(376,810)
Changes in fair values for the year	48,202	114,758
As at 31 December	<u>1,297,392</u>	<u>1,089,764</u>

Quoted trading investments:

	2023		2022 (Restated)	
	Market value	Cost	Market value	Cost
Banking sector	133,375	142,150	-	-
Service sector	542,031	1,011,123	125,346	1,190,801
Investment sector	20,035	112,612	712,603	702,100
Others	601,951	421,224	251,815	204,360
	<u>1,297,392</u>	<u>1,687,109</u>	<u>1,089,764</u>	<u>2,097,261</u>

**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
(Expressed in Omani Rial)

8	Investments (continued)	2023	2022
e)	Investments at amortised cost		(Restated)
	As at 1 January	11,296,125	9,310,363
	Purchases during the year	4,224,171	3,846,330
	Disposals during the year	(1,577,650)	(1,804,249)
	Amortisation charge for the year on bonds	(74,358)	(56,319)
	Provision for ECL	(116,745)	(59,034)
	As at 31 December	<u>13,751,543</u>	<u>11,237,091</u>

Investments at amortised cost comprise the following:

	2023		2022 - (Restated)	
	Amortised cost	Cost	Amortised cost	Cost
(i) Sultanate of Oman Government Development Bonds	4,019,236	4,067,300	4,028,847	4,067,300
(ii) Bank Dhofar Perpetual Bonds	1,000,000	1,000,000	2,000,000	2,000,000
(iii) Taageer Finance Bonds	1,000,000	1,000,000	500,000	500,000
(iv) Oman Government International Bonds	2,466,059	2,541,003	1,123,344	1,126,045
(v) Oman Government USD Bonds	2,980,260	3,009,315	3,374,189	3,420,052
(vi) Other International USD Bonds	2,402,733	1,913,286	269,745	269,778
Provision for ECL	(116,745)	-	(59,034)	-
	<u>13,751,543</u>	<u>13,530,904</u>	<u>11,237,091</u>	<u>11,383,175</u>

- (i) Development bonds issued by the Sultanate of Oman are denominated in RO. The bonds carry a coupon rate of 5.25% per annum.
- (ii) Bonds issued by Bank Dhofar are perpetual bonds denominated in RO. The bonds carry a coupon rate of 7% per annum.
- (iii) International bonds issued by the Sultanate of Oman are denominated in USD. The bonds carry a coupon rate ranging between 5.625% and 6.75% per annum.
- (iv) USD bonds issued by the Sultanate of Oman are denominated in USD. The bonds carry a coupon rate ranging between 6% and 7.625% per annum.
- (v) Bonds issued by Taageer Finance are denominated in RO. The bonds carry a coupon rate of 7% per annum.
- (vi) Other International bonds are denominated in USD. The bonds carry a coupon rate ranging between 4.75% and 8.125% per annum.
- (vii) Investments in investments through profit and loss amounting to RO 11,430,476 (2022: RO 11,026,380) are held under lien with the CMA (Note 11).

f)	Investment fair value reserve	2023	2022
			(Restated)
	At 1 January	(694,037)	138,963
	Changes in fair value of investment at other comprehensive income (Note	1,578,247	(860,332)
	Deferred tax liability adjustment on investment fair value reserve	(3,907)	27,332
	At 31 December (a)	<u>880,303</u>	<u>(694,037)</u>





**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

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**8 Investments (continued)**

**g) Details of significant investments:**

Details of the Company's investments in which its holdings either exceed 10% of the market value of its investment portfolio or where the Company's holding represents 10% or more of the issuer's share capital are set out below:

**Investments:**

As at 31 December 2023:	% of overall portfolio	Number of shares	Fair value	Cost
Dhofar Foods and Investments SAOG	32.83%	64,903,846	9,605,983	5,192,308
Trust Syria Insurance Company SASC	34.00%	2,493,217	-	2,493,217
Oman Unified Bureau for the Orange Card SAOC (OUBC)	<u>14.28%</u>	<u>500,000</u>	<u>283,073</u>	<u>71,429</u>

**Investments:**

As at 31 December 2022: (Restated)	% of overall portfolio	Number of shares	Fair value	Cost
Omani Vegetable Oils and Derivatives LLC (OVOD)	38.46%	2,500,000	4,313,249	2,500,000
Trust Syria Insurance Company SASC (TSI)	34.00%	2,493,217	-	2,493,217
Oman Unified Bureau for the Orange Card SAOC (OUBC)	<u>14.28%</u>	<u>500,000</u>	<u>270,644</u>	<u>71,429</u>

**h) Sensitivity analysis - Equity price risk**

Most of the Company's listed equity investments are listed on the Muscat Stock Exchange (MSX) and the Bahrain Stock Exchange.

For listed investments, classified as investment at other comprehensive income, a 5% increase/(decrease) in MSM 30 index would have increased/(decreased) the shareholders' equity by RO 215,804 (2022: RO 170,979).

For investments classified as investment at profit or loss, a 5% increase/(decrease) in the MSM 30 index would have increased/(decreased) the net profit by RO 64,870 (2022: RO 54,488).

**9 Bank deposits**

**2023**

**2022**

Bank deposits with a maturity of greater than twelve months from the date of placement.

27,692,674 27,492,674

Provision for ECL

(66,917) (59,136)

27,625,757 27,433,538

The bank deposits earn interest rates ranging between 4.25% to 6.2% per annum (2022: between 4.25% and 5.5% per annum).

Bank deposits amounting to RO 27,027,025 (2022: RO 27,527,025) are under lien with the CMA (Note 11).



**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

(Expressed in Omani Rial)

**10 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022 (Restated)
Cash and cash equivalents	15,060,998	10,145,643
Short-term fixed deposits	709,280	2,209,280
Provision for expected credit loss (note 31)*	(5,215)	-
	<u>15,765,063</u>	<u>12,354,923</u>

The current account balances with banks are non-interest bearing.

The short-term fixed deposits earn interest rates ranging between 1.75% and 3.00% per annum (2022: ranging between 1.75% and 3.00% per annum).

\*The Company has regular dealings with banks and all the bank accounts are active. Moreover, there are no indicators of any significant increase in credit risk and the probability of default is very low. Therefore, no impairment provision is required to be created on these balances for 2022.

**11 Restrictions on transfer of assets**

In accordance with the law governing the operation of insurance companies within the Sultanate of Oman, the Company has identified, to the CMA, certain specific bank deposits amounting to RO 27,027,025 (2022: RO 27,527,025), investment in shares amounting to RO 9,277,823 (2022: RO 5,112,003), investments through profit and loss amounting to RO 11,430,476 (2022: RO 11,026,380), investment property amounting to RO 6,100,000 (2022: RO 6,150,000) and land and building amounting to RO 1,739,760 (2022: RO 1,802,840). These are included in the statement of financial position at a total value of RO 55,625,084 (2022: RO 51,618,248). Under the terms of the legislation, the Company can sell these assets only with the prior approval of the CMA.

**12 Other receivables and prepayments**

	2023	2022 (Restated)
Other receivables	873,551	1,108,305
Prepayments	-	144,582
Amounts due from EX-CEO	1,011,437	900,000
	<u>1,884,988</u>	<u>2,152,887</u>

**13 Share capital**

	2023	2022
Authorised 300,000,000 ordinary shares of RO 0.100 each (2022: 300,000,000 ordinary shares of RO 0.100 each)	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid-up 109,164,866 ordinary shares (2021: 100,000,000 ordinary shares of RO 0.100 each; 2022: 4,762,046 ordinary shares for RO 1,000,000; and 2023: 4,402,820 ordinary shares for RO 1,000,000) (refer note 18)	<u>12,000,000</u>	<u>11,000,000</u>

**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 additional shares they hold are as follows:



**Dhofar Insurance Company SAOG****Notes to the financial statements for the year ended 31 December 2023**

(Expressed in Omani Rial)

**13 Share capital (continued)**

	2023		2022	
	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares
Dhofar International Development and Investment Company SAOG, Oman	38.140%	41,631,746	37.429%	39,211,076
H.E.Abdul Alim Mustahil Rakhyoot, Oman	13.800%	15,062,797	14.378%	15,062,797

Note: During the year the Company has converted optional convertible bonds into ordinary shares for RO 1,000,000 by issuing additional 4,402,820 shares (2022: RO 1,000,000 by issuing 4,762,046 shares) (refer note 18)

**14 Legal reserve**

In accordance with the provisions of the Commercial Companies Law and regulations of the Sultanate of Oman an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve until such time as a minimum of one-third of the share capital is set aside. During the year ended 31 December 2023, the Company has transferred an amount of RO 615,526 to the legal reserve (2022: RO 389,352).

**15 Special reserve**

In accordance with Article 133 of the Commercial Companies Law and Regulations of the Sultanate of Oman, the surplus of share issue fees over the pre-formation expenses was transferred to a non-distributable special reserve. However during the year 2018, based on the capital restructuring of the Company, the special reserve of RO 50,000 had been utilised to offset against the accumulated losses of the Company.

**16 Contingency reserve**

In accordance with the Article (10) of the legislations regulating the insurance sector, the amount to be transferred to the contingency reserve should be equal to the sum of 10% of the net outstanding claims at the statement of financial position date for general insurance amounting to RO 1,428,476 (2022: RO 1,208,591) and 1% of the premiums for the year for life business amounting to RO 123,993 (2022: RO 92,564), until such time as a minimum of 100% of the share capital is set aside. During the year ended 31 December 2023, contingency reserve of RO 1,000,000 (2022: RO 1,000,000) has been transferred from retained earning to match the maximum limit equivalent to its share capital.

**17 Dividends paid and proposed**

During the year, the Board of Directors has proposed a cash dividend in respect of the year 2023 which is RO 15 baiza per share (2022: RO 15 baiza per share) totalling to RO 1,637,473 (2022: RO 1,571,431). This is subject to the approval of the Shareholders in the Annual General Meeting.

**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 and Regulations of the Sultanate of Oman, the shareholders had initially approved the rights issue of 5,000,000 mandatory convertible bonds of RO 1 each amounting to RO 5 million. The bonds bear an interest coupon of 7.5% per annum.



## 18 Optional convertible bonds (continued)

In accordance with the terms of the bond, twenty percent of the bonds amounting to RO 1 million were to be compulsorily converted to shares at the end of twenty four months (i.e. 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 (i.e. 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 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 options. Further, the interest coupon reduced to 6% per annum. Optional convertible bonds will be either converted into equity shares or redeemed amounting to RO 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 shares". Redemption/conversion is to take place on every 1 June starting from the year 2021 to 2025. During the year ended 31 December 2021 and 31 December 2022, twenty percent of the bonds amounting to RO 1 million have been redeemed respectively. However during the year ended 31 December 2023, another twenty percent of the bonds amounting to RO 1 million have been converted to share capital (note 13).

	2023	2022
Optional convertible bonds	2,000,000	3,000,000
Less: Current portion of optional convertible bonds	(1,000,000)	(1,000,000)
Non-current portion of optional convertible bonds	<u>1,000,000</u>	<u>2,000,000</u>

## 19 Income tax

## (a) Statement of comprehensive income

	2023	2022
Current tax		(Restated)
Current year	867,484	428,793
Prior year		
Deferred tax		
Current year	334,470	627
Prior year	(26,679)	-
	<u>307,791</u>	<u>627</u>
	<u>1,175,275</u>	<u>429,420</u>
Tax expense for the year		

## Current liabilities

Income tax payable	<u>870,052</u>	<u>448,017</u>
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## Non-current liabilities

Deferred tax liability	<u>748,087</u>	<u>519,362</u>
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## Deferred tax liability

Deferred tax arises on account of temporary differences between the tax base of assets, liabilities and losses and their carrying values in the statement of financial position.





## 19 Income tax (continued)

	2022 (Restated)	Recognised in statement of profit or loss	Recognised in statement of OCI	2023 (Restated)
Effect of tax depreciation on property	(924,254)	17,310	-	(906,944)
Investment FVTPL (Foreign investment)	5,031	(5,031)	-	-
Equity accounted investment in TSI	136,540	-	-	136,540
Receivables write-off of TSI	22,698	-	-	22,698
Revaluation reserve on equity investment accounted associate (OVOD)	(82,972)	-	82,972	-
Revaluation reserve on equity investment accounted associate (DFNI)		(662,052)	-	(662,052)
Investment fair value reserve	(77,483)	-	(3,907)	(81,390)
Provision for insurance receivables	420,287	278,041	-	698,328
Provision for bank deposit	-	10,038	-	10,038
Bond amortisation cost	7,471	27,224	-	34,695
Adjustment for under provided def tax	(26,679)	26,679	-	-
Net deferred tax liability	(519,361)	(307,791)	79,065	(748,087)

	2021 (Restated)	Recognised in statement of profit or loss	Recognised in statement of OCI	2022 (Restated)
Effect of tax depreciation on property	(910,274)	(13,980)	-	(924,254)
Held-for-trading investment (Foreign investment)	16,216	-	-	5,031
Equity accounted investment in TSI	136,540	(11,185)	-	136,540
Receivables write-off of TSI	22,698	-	-	22,698
Revaluation reserve on equity investment accounted associate (OVOD)	(93,020)	-	10,048	(82,972)
Investment fair value reserve	(104,815)	-	27,332	(77,483)
Provision for insurance receivables	375,287	45,000	-	420,287
Bond amortization cost	-	7,471	-	7,471
Adjustment for under provided def tax	-	(26,679)	-	(26,679)
Net deferred tax liability	(557,368)	627	37,380	(519,361)

**Reconciliation of income tax expenses**

The Company is subject to income tax at the rate of 15% of the taxable income in accordance with the income tax law of the Sultanate of Oman (2022: 15%).

The following is the reconciliation of income taxes calculated at the applicable tax rates with the income tax expenses:

	2023	2022 (Restated)
Profit before income tax	7,330,533	4,322,938
Income tax	1,099,580	648,441
Non-deductible expenses	60,501	20,850
Tax on sale of OVOD	82,972	-
Tax exempt revenue	(41,099)	(240,498)
Current tax	1,201,954	428,793
Deferred tax	(26,679)	-
Tax expense for the year	1,175,275	428,793



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**19 Income tax (continued)**

**(b) Current status of tax assessments**

The Company's income tax assessments for the years 2022 have not been finalised by the Tax Authority. The management believes that additional taxes, if any, that may become payable on finalisation of the assessments in respect of these open years would not be material to the Company's financial position as at 31 December 2023.

<b>20 Other payables</b>	<b>2023</b>	<b>2022</b>
		<b>(Restated)</b>
Fee payable	968,795	873,388
Interest payable on convertible bonds	75,124	110,466
VAT payable	242,581	361,967
Others	1,014,722	958,464
	<u>2,301,222</u>	<u>2,304,285</u>
<b>21 Employee benefit liabilities</b>	<b>2023</b>	<b>2022</b>
At 1 January	398,155	390,495
Provision for the year	164,737	64,927
Payment during the year	(60,068)	(57,267)
At 31 December	<u>502,824</u>	<u>398,155</u>

The number of employees employed by the Company as at 31 December 2023 were 329 (2022: 318 employees).

**22 Net assets per share**

The calculation of the net assets per share is based on net assets as at 31 December 2023 attributable to ordinary shareholders of RO 36,627,982 (2022-Restated: RO 29,422,500) and the closing number of shares outstanding during the year of 109,164,866 ordinary shares (2022: 104,762,04 ordinary shares) being the number of shares outstanding as at 31 December 2023.

	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
		<b>(Restated)</b>
"Net assets as at the year end (RO)	36,627,982	29,422,500
Closing number of shares outstanding during the year	109,164,866	104,762,046
Net assets per share (RO)	<u>0.336</u>	<u>0.281</u>



23 Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts

Premium Allocation Model (PAA)	LfRC			LfIC for contracts measured under PAA	LfIC for contracts measured under PAA		Total
	Excl. LC	ACQ	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(20,714,199)	-	(1,534,112)	-	(55,010,002)	(3,434,281)	(80,692,594)
	(20,714,199)	-	(1,534,112)	-	(55,010,002)	(3,434,281)	(80,692,594)
Insurance revenue (note 25)	69,893,675	-	-	-	-	-	69,893,675
Insurance service expenses (note 26)	-	-	-	-	-	-	-
- Incurred benefits and expenses	-	-	-	-	(62,747,228)	(3,946,916)	(66,694,144)
- Changes that relate to past service - adjustments to LfIC	-	-	-	-	25,959,197	3,719,058	29,678,255
- Losses on onerous contracts and reversal of those losses	-	-	418,909	-	-	-	418,909
- Amortization of insurance acquisition cash flows	(5,037,632)	-	-	-	-	-	(5,037,632)
Insurance finance expenses through profit and loss (note 28)	-	-	-	-	(1,524,933)	-	(1,524,933)
Total changes in statement of profit and loss	64,856,043	-	418,909	-	(38,312,964)	(227,858)	26,734,130
Premiums received	(73,374,611)	-	-	-	-	-	(73,374,611)
Claims paid	-	-	-	-	33,689,673	-	33,689,673
Directly attributable expenses paid	-	-	-	-	3,712,160	-	3,712,160
Acquisition cost paid	5,184,626	-	-	-	-	-	5,184,626
Total cash flows	(68,189,985)	-	-	-	37,401,833	-	(30,788,152)
Closing insurance contract assets	-	-	-	-	-	-	-
Closing insurance contract liabilities (a)	(24,048,141)	-	(1,115,203)	-	(55,921,133)	(3,662,139)	(84,746,616)
	(24,048,141)	-	(1,115,203)	-	(55,921,133)	(3,662,139)	(84,746,616)
General Measurement Model (GMM)	LfRC			LfIC for contracts measured under GM	LfIC for contracts measured under GMM		Total
	Excl. LC	ACQ	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(2,789,864)	-	(834,243)	(14,217)	-	-	(3,638,324)
	(2,789,864)	-	(834,243)	(14,217)	-	-	(3,638,324)
Insurance revenue (note 25)	480,642	-	-	-	-	-	480,642
Insurance service expenses (note 26)	-	-	-	-	-	-	-
- Incurred benefits and expenses	-	-	-	(138,665)	-	-	(138,665)
- Changes that relate to past service - adjustments to LfIC	-	-	-	(181,881)	-	-	(181,881)
- Losses on onerous contracts and reversal of those losses	-	-	(432,065)	-	-	-	(432,065)
- Amortization of insurance acquisition cash flows	(9,806)	-	-	-	-	-	(9,806)
Insurance finance expenses through profit and loss (note 28)	(376,767)	-	(17,159)	698	-	-	(393,228)
Total changes in statement of profit and loss	94,069	-	(449,224)	(319,848)	-	-	(675,003)
Premiums received	(1,110,088)	-	-	-	-	-	(1,110,088)
Claims paid	-	-	-	67,049	-	-	67,049
Directly attributable expenses paid	-	-	-	85,893	-	-	85,893
Acquisition cost paid	-	-	-	-	-	-	-
Total cash flows	(1,110,088)	-	-	152,942	-	-	(957,146)
Closing insurance contract assets	-	-	-	-	-	-	-
Closing insurance contract liabilities (b)	(3,805,883)	-	(1,283,467)	(181,123)	-	-	(5,270,473)
	(3,805,883)	-	(1,283,467)	(181,123)	-	-	(5,270,473)
Gross closing insurance contract liabilities (a + b)							(90,017,089)
Reclassification of Employee benefit liabilities (note 21)							502,824
Net closing insurance contract liabilities							(89,514,265)



23 Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts

							2022 (Restated)
Price Allocation Model (PAA)	LfRC			LfIC for contracts measured under GM	LfIC for contracts measured under PAA		Total
	Excl. LC	ACQ	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(16,572,333)	-	-	-	(59,299,771)	(3,573,539)	(79,445,642)
	(16,572,333)	-	-	-	(59,299,771)	(3,573,539)	(79,445,642)
Insurance revenue (note 25)	63,934,209	-	-	-	-	-	63,934,209
Insurance service expenses (note 26)	-	-	-	-	(38,997,296)	(2,366,536)	(41,363,832)
- Incurred benefits and expenses	-	-	-	-	8,832,246	2,505,794	11,338,040
- Changes that relate to past service - adjustments to LfIC	-	-	-	-	-	-	(1,534,112)
- Losses on onerous contracts and reversal of those losses	-	-	(1,534,112)	-	-	-	(1,534,112)
- Amortization of insurance acquisition cash flows	(4,697,894)	-	-	-	-	-	(4,697,894)
- Impairment of acquisition cost asset	-	-	-	-	-	-	-
Insurance finance expenses through profit and loss (note 28)	-	-	-	-	1,307,895	-	1,307,895
Total changes in statement of profit and loss	59,236,315	-	(1,534,112)	-	(28,857,155)	139,258	28,984,306
Premiums received	(68,160,182)	-	-	-	-	-	(68,160,182)
Claims paid	-	-	-	-	29,808,252	-	29,808,252
Directly attributable expenses paid	-	-	-	-	3,338,672	-	3,338,672
Acquisition cost paid	4,782,001	-	-	-	-	-	4,782,001
Total cash flows	(63,378,181)	-	-	-	33,146,924	-	(30,231,257)
Closing insurance contract assets	-	-	-	-	-	-	-
Closing insurance contract liabilities (a)	(20,714,199)	-	(1,534,112)	-	(55,010,002)	(3,434,281)	(80,692,594)
	(20,714,199)	-	(1,534,112)	-	(55,010,002)	(3,434,281)	(80,692,594)
General Measurement Model (GMM)	LfRC			LfIC for contracts measured under GM	LfIC for contracts measured under GMM		Total
	Excl. LC	ACQ	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(1,900,540)	-	(2,153)	(14,953)	-	-	(1,917,646)
	(1,900,540)	-	(2,153)	(14,953)	-	-	(1,917,646)
Insurance revenue (note 25)	294,516	-	-	-	-	-	294,516
Insurance service expenses (note 26)	-	-	-	(1,625,659)	-	-	(1,625,659)
- Incurred benefits and expenses	-	-	-	8,466	-	-	8,466
- Changes that relate to past service - adjustments to LfIC	-	-	-	-	-	-	(941,825)
- Losses on onerous contracts and reversal of those losses	-	-	(941,825)	-	-	-	(941,825)
- Amortization of insurance acquisition cash flows	(9,175)	-	-	-	-	-	(9,175)
Total changes in statement of profit and loss	689,029	-	(832,090)	(1,617,210)	-	-	(1,760,271)
Premiums received	(1,655,028)	-	-	-	-	-	(1,655,028)
Claims paid	-	-	-	1,400,562	-	-	1,400,562
Directly attributable expenses paid	-	-	-	217,384	-	-	217,384
Acquisition cost paid	76,675	-	-	-	-	-	76,675
Total cash flows	(1,578,353)	-	-	1,617,946	-	-	39,593
Closing insurance contract assets	-	-	-	-	-	-	-
Closing insurance contract liabilities (b)	(2,789,864)	-	(834,243)	(14,217)	-	-	(3,638,324)
	(2,789,864)	-	(834,243)	(14,217)	-	-	(3,638,324)
Gross closing insurance contract liabilities (a + b)							(84,330,918)
Reclassification of Employee benefit liabilities (note 21)							398,155
Net closing insurance contract liabilities							(83,932,763)





24 Reconciliation of the liability for remaining coverage and the liability for incurred claims for reinsurance contracts

						2023
Price Allocation Model (PAA)	LfRC		LfIC for contracts measured under PAA	LfIC for contracts measured under PAA		Total
	Excl. LC	ACQ		PVCF	RA	
Opening reinsurance contract assets	6,086,108	184,093	-	38,873,579	2,652,015	47,795,795
Opening reinsurance contract liabilities	129,649	-	-	(169,821)	(10,691)	(50,863)
	<b>6,215,757</b>	<b>184,093</b>	<b>-</b>	<b>38,703,758</b>	<b>2,641,324</b>	<b>47,744,932</b>
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium (note 27)	(41,311,413)	-	-	-	-	(41,311,413)
- Amounts recoverable for claims and other expenses (note 27)	-	-	-	14,564,280	(7,920,813)	6,643,467
- Changes that relate to past service - adjustments to LfIC (note 27)	-	-	-	157,433	7,960,426	8,117,859
- Changes in fulfilment cash flows that do not adjust underlying (note 27)	-	83,229	-	-	-	83,229
- Expenses directly attributable to reinsurance (note 27)	-	-	-	(205,169)	-	(205,169)
Reinsurance finance income through profit and loss (note 29)	-	-	-	1,094,709	-	1,094,709
Total changes in statement of profit and loss	<b>(41,311,413)</b>	<b>83,229</b>	<b>-</b>	<b>15,611,253</b>	<b>39,613</b>	<b>(25,577,318)</b>
Premiums paid to reinsurer net of commission	38,557,214	-	-	-	-	38,557,214
Directly attributable expenses paid	-	-	-	205,169	-	205,169
Recoveries from reinsurance	-	-	-	(18,722,535)	-	(18,722,535)
Total cash flows	<b>38,557,214</b>	<b>-</b>	<b>-</b>	<b>(18,517,366)</b>	<b>-</b>	<b>20,039,848</b>
Closing reinsurance contract assets (a)	4,625,686	267,322	-	35,813,055	2,522,675	43,228,738
Closing reinsurance contract liabilities (b)	(1,164,128)	-	-	(15,408)	158,262	(1,021,274)
	<b>3,461,558</b>	<b>267,322</b>	<b>-</b>	<b>35,797,647</b>	<b>2,680,937</b>	<b>42,207,464</b>
General Measurement Model (GMM)	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under GMM		Total
	Excl. LC	ACQ		PVCF	RA	
Opening reinsurance contract assets	-	-	-	-	-	-
Opening reinsurance contract liabilities	(437,944)	727,190	(308,817)	-	-	(19,571)
	<b>(437,944)</b>	<b>727,190</b>	<b>(308,817)</b>	<b>-</b>	<b>-</b>	<b>(19,571)</b>
Net income or expense from reinsurance contracts held						
- Allocation of reinsurer premium (note 27)	(435,748)	-	-	-	-	(435,748)
- Amounts recoverable for claims and other expenses (note 27)	-	-	238,139	-	-	238,139
- Changes that relate to past service - adjustments to LfIC (note 27)	-	-	127,317	-	-	127,317
- Changes in fulfilment cash flows that do not adjust underlying (note 27)	-	174,155	-	-	-	174,155
- Expenses directly attributable to reinsurance (note 27)	-	-	(4,360)	-	-	(4,360)
Reinsurance finance income through profit and loss (note 29)	219,743	-	(1,806)	-	-	217,937
Total changes in statement of profit and loss	<b>(216,005)</b>	<b>174,155</b>	<b>359,290</b>	<b>-</b>	<b>-</b>	<b>317,440</b>
Premiums paid to reinsurer net of commission	2,948,476	-	-	-	-	2,948,476
Directly attributable expenses paid	-	-	4,360	-	-	4,360
Recoveries from reinsurance	-	-	71,955	-	-	71,955
Total cash flows	<b>2,948,476</b>	<b>-</b>	<b>76,315</b>	<b>-</b>	<b>-</b>	<b>3,024,791</b>
Closing reinsurance contract assets (c)	2,294,527	901,345	126,788	-	-	3,322,660
Closing reinsurance contract liabilities (d)	-	-	-	-	-	-
	<b>2,294,527</b>	<b>901,345</b>	<b>126,788</b>	<b>-</b>	<b>-</b>	<b>3,322,660</b>
Total closing reinsurance contract assets (a+c)						<b>46,551,398</b>
Total closing reinsurance contract liabilities (b+d)						<b>(1,021,274)</b>



24 Reconciliation of the liability for remaining coverage and the liability for incurred claims for reinsurance contracts

Price Allocation Model (PAA)	LfRC		LfIC for contracts measured under GM	LfIC for contracts measured under PAA		2022 (Restated)
	Excl. LC	ACQ		PVCF	RA	Total
Opening reinsurance contract assets	4,402,563	-	-	47,642,842	2,535,227	54,580,632
Opening reinsurance contract liabilities	(623,560)	-	-	(2,027,455)	166,683	(2,484,332)
	<b>3,779,003</b>	-	-	<b>45,615,387</b>	<b>2,701,910</b>	<b>52,096,300</b>
<b>Net income or expense from reinsurance contracts held</b>						
- Allocation of reinsurer premium (note 27)	(35,367,212)	-	-	-	-	(35,367,212)
- Amounts recoverable for claims and other expenses (note 27)	-	-	-	10,449,854	819,913	11,269,767
- Changes that relate to past service - adjustments to LfIC (note 27)	-	-	-	(90,981)	(880,499)	(971,480)
- Changes in fulfilment cash flows that do not adjust underlying (note 27)	-	184,093	-	-	-	184,093
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance (note 27)	-	-	-	(182,212)	-	(182,212)
Reinsurance finance income through profit and loss (note 29)	-	-	-	(907,436)	-	(907,436)
<b>Total changes in statement of profit and loss</b>	<b>(35,367,212)</b>	<b>184,093</b>	-	<b>9,269,225</b>	<b>(60,586)</b>	<b>(25,974,480)</b>
Premiums paid to reinsurer net of commission	37,803,966	-	-	-	-	37,803,966
Directly attributable expenses paid	-	-	-	182,212	-	182,212
Recoveries from reinsurance	-	-	-	(16,363,066)	-	(16,363,066)
<b>Total cash flows</b>	<b>37,803,966</b>	-	-	<b>(16,180,854)</b>	-	<b>21,623,112</b>
Closing reinsurance contract assets (a)	6,086,108	184,093	-	38,873,579	2,652,015	47,795,795
Closing reinsurance contract liabilities (b)	129,649	-	-	(169,821)	(10,691)	(50,863)
	<b>6,215,757</b>	<b>184,093</b>	-	<b>38,703,758</b>	<b>2,641,324</b>	<b>47,744,932</b>
General Measurement Model (GMM)	LfRC		LfIC for contracts measured under GM	LfIC for contracts measured under PAA		Total
	Excl. LC	ACQ		PVCF	RA	
Opening reinsurance contract assets	652,765	2,132	(124,449)	-	-	530,448
Opening reinsurance contract liabilities	-	-	-	-	-	-
	<b>652,765</b>	<b>2,132</b>	<b>(124,449)</b>	-	-	<b>530,448</b>
<b>Net income or expense from reinsurance contracts held</b>						
- Allocation of reinsurer premium (note 27)	127,331	-	-	-	-	127,331
- Amounts recoverable for claims and other expenses (note 27)	-	-	35,236	-	-	35,236
- Changes that relate to past service - adjustments to LfIC (note 27)	-	-	(6,970)	-	-	(6,970)
- Changes in fulfilment cash flows that do not adjust underlying (note 27)	-	725,058	-	-	-	725,058
- Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
- Expenses directly attributable to reinsurance (note 27)	-	-	(3,451)	-	-	(3,451)
Reinsurance finance income through profit and loss (note 29)	(292,832)	-	(193)	-	-	(293,025)
<b>Total changes in statement of profit and loss</b>	<b>(165,501)</b>	<b>725,058</b>	<b>24,622</b>	-	-	<b>584,179</b>
Premiums paid to reinsurer net of commission	(925,208)	-	-	-	-	(925,208)
Directly attributable expenses paid	-	-	3,450	-	-	3,450
Recoveries from reinsurance	-	-	(212,440)	-	-	(212,440)
<b>Total cash flows</b>	<b>(925,208)</b>	-	<b>(208,990)</b>	-	-	<b>(1,134,198)</b>
Closing reinsurance contract assets (c)	-	-	-	-	-	-
Closing reinsurance contract liabilities (d)	(437,944)	727,190	(308,817)	-	-	(19,571)
	<b>(437,944)</b>	<b>727,190</b>	<b>(308,817)</b>	-	-	<b>(19,571)</b>
Closing reinsurance contract assets (a + c)						47,795,795
Closing reinsurance contract liabilities (b + d)						(70,434)



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**25 Insurance revenue**

	2023		
	PAA	GMM	Total
Amounts relating to changes in LfRC			
- Expected benefits incurred	-	321,197	321,197
- Expected expenses incurred	-	57,943	57,943
- Change in the risk adjustment	-	101,289	101,289
- CSM recognized	-	114,508	114,508
Recovery of acquisition cash flows	-	9,806	9,806
Experience adjustments	-	(124,101)	(124,101)
Contracts not measured under PAA	-	480,642	480,642
Contracts measured under PAA	69,893,675	-	69,893,675
Total insurance revenue (note 23)	69,893,675	480,642	70,374,317

	2022 - (Restated)		
	PAA	GMM	Total
Amounts relating to changes in LfRC			
- Expected benefits incurred	-	188,160	188,160
- Expected expenses incurred	-	18,157	18,157
- Change in the risk adjustment	-	41,552	41,552
- CSM recognized	-	24,366	24,366
Recovery of acquisition cash flows	-	9,175	9,175
Experience adjustments	-	13,106	13,106
Contracts not measured under PAA	-	294,516	294,516
Contracts measured under PAA	63,934,209	-	63,934,209
Total insurance revenue (note 23)	63,934,209	294,516	64,228,725

**26 Insurance service expenses**

Insurance service expenses	2023		
	PAA	GMM	Total
Incurred benefits	62,652,412	52,772	62,705,184
Incurred directly attributable expenses	4,041,732	85,893	4,127,625
Losses on onerous contracts and reversal of those losses	(418,909)	432,065	13,156
Changes that relate to past service - adjustments to LfIC	(29,678,255)	181,881	(29,496,374)
Insurance acquisition costs	5,037,632	9,806	5,047,438
Total service expense (note 23)	41,634,612	762,417	42,397,029

	2022 - (Restated)		
	PAA	GMM	Total
Incurred benefits	37,916,441	1,408,399	39,324,840
Incurred directly attributable expenses	3,447,391	217,260	3,664,651
Losses on onerous contracts and reversal of those losses	1,534,112	941,825	2,475,937
Changes that relate to past service - adjustments to LfIC	(11,338,040)	(8,466)	(11,346,506)
Insurance acquisition costs	4,697,894	9,175	4,707,069
Total service expense (note 23)	36,257,798	2,568,193	38,825,991

**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

**(Expressed in Omani Rial)**

27 Net income or expense from reinsurance contracts held	2023		
	PAA	GMM	Total
<b>Expected expenses for contracts not measured under PAA</b>			
- Expected recovery of claims and other expenses	-	312,948	312,948
- Change in the risk adjustment	-	194,690	194,690
- CSM recognized	-	2,077	2,077
- Experience adjustments	-	(73,967)	(73,967)
<b>Expected expenses for contracts measured under PAA</b>	<b>41,311,413</b>	<b>-</b>	<b>41,311,413</b>
<b>Allocation of reinsurer premium</b>	<b>41,311,413</b>	<b>435,748</b>	<b>41,747,161</b>
Amounts recovered for claims and other expenses	6,643,467	238,139	6,881,606
Incurred directly attributable expenses	(205,169)	(4,360)	(209,529)
Changes that relate to past service - recoverable claims and other expenses	8,117,859	127,317	8,245,176
Changes in fulfilment cash flows that do not adjust underlying	83,229	174,155	257,384
Effect of changes in the risk of reinsurers non-performance	14,639,386	535,251	15,174,637
Amounts recoverable from reinsurer and incurred expenses (note 24)	26,672,027	(99,503)	26,572,524
<b>2022 - (Restated)</b>			
	PAA	GMM	Total
<b>Expected expenses for contracts not measured under PAA</b>			
- Expected recovery of claims and other expenses	-	126,497	126,497
- Change in the risk adjustment	-	33,873	33,873
- CSM recognized	-	7,995	7,995
- Experience adjustments	-	(295,696)	(295,696)
<b>Expected expenses for contracts measured under PAA</b>	<b>35,367,212</b>	<b>-</b>	<b>35,367,212</b>
<b>Allocation of reinsurer premium</b>	<b>35,367,212</b>	<b>(127,331)</b>	<b>35,239,881</b>
Amounts recovered for claims and other expenses	11,269,767	35,236	11,305,003
Incurred directly attributable expenses	(182,212)	(3,451)	(185,663)
Changes that relate to past service - recoverable claims and other expenses	(971,480)	(6,970)	(978,450)
Changes in fulfilment cash flows that do not adjust underlying	184,093	725,058	909,151
Effect of changes in the risk of reinsurers non-performance	10,300,168	749,873	11,050,041
Amounts recoverable from reinsurer and incurred expenses (note 24)	25,067,044	(877,204)	24,189,840





**Dhofar Insurance Company SAOG**

**Notes to the financial statements for the year ended 31 December 2023**

**(Expressed in Omani Rial)**

28 Insurance finance expenses	2023		
	PAA	GMM	Total
Interest accreted to insurance contracts	1,754,626	239,157	1,993,783
Change in financial assumptions through P&L	(229,693)	(49,865)	(279,558)
Change in financial assumptions through OCI	-	-	-
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	203,936	203,936
	-	-	-
<b>Total insurance finance expenses (note 23)</b>	<b>1,524,933</b>	<b>393,228</b>	<b>1,918,161</b>

	2022 - (Restated)		
	PAA	GMM	Total
Interest accreted to insurance contracts	144,482	15,825	160,307
Change in financial assumptions through P&L	(1,452,377)	(528,719)	(1,981,096)
Change in financial assumptions through OCI	-	-	-
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	(514)	(514)
Net insurance finance income or expense (note 23)	(1,307,895)	(513,408)	(1,821,303)

29 Reinsurance finance expenses	2023		
	PAA	GMM	Total
Interest accreted to reinsurance contracts	1,244,651	134,122	1,378,773
Change in financial assumptions through P&L	(149,942)	(26,055)	(175,997)
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	109,870	109,870
	-	-	-
<b>Total reinsurance finance expenses (note 24)</b>	<b>1,094,709</b>	<b>217,937</b>	<b>1,312,646</b>

	2022 - (Restated)		
	PAA	GMM	Total
Interest accreted to reinsurance contracts	106,057	7,875	113,932
Change in financial assumptions through P&L	(1,013,493)	(300,516)	(1,314,009)
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	(384)	(384)
Total reinsurance finance expenses (note 24)	(907,436)	(293,025)	(1,200,461)



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**30 Investment income**

	2023	2022 (Restated)
Interest income on bank deposits	1,372,873	1,323,111
Loss on sale on investment through profit or loss	-	(44,463)
Interest earned on investment at amortised cost	790,148	592,454
Loss on sale on investment at amortised cost	(300)	(9,433)
Rental income from investment properties	244,513	265,430
Dividend income from investments	113,415	64,068
Commission income (Orange Card)	216,435	180,918
Share of profit from investment in associates (note 8b)	692,268	1,330,302
Bargain Gain on investment in associate	3,892,663	-
Profit on sale of shares of associate	742,803	-
Profit on sale of other shares	16,598	
Unrealised gains from investment through profit or loss (note 8c)	45,594	1,258
Realised gains on sale of investment through profit or loss (note 8c)	20,281	17,511
Amortisation of bonds (note 8e)	(74,358)	(56,319)
Net unrealised fair value gains/(losses) on investment at amortised cost(note 8d)	48,202	114,758
Change in fair value of investment properties (note 7)	(211,490)	-
	<u>7,909,645</u>	<u>3,779,595</u>

**31 Other expenses**

	2023	2022 (Restated)
Non-attributable expenses	1,178,041	913,913
Provision for expected credit loss	72,797	118,170
	<u>1,250,838</u>	<u>1,032,083</u>

**32 Basic and diluted earnings per share**

**a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2023	2022 (Restated)
Net profit after tax for the year (RO)	6,155,258	3,893,518
Weighted average number of shares outstanding during the year (number)	<u>107,331,363</u>	<u>102,791,994</u>
Basic earnings per share (RO)	<u>0.06</u>	<u>0.038</u>

**b) Diluted earnings per share**

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares:

	2023	2022 (Restated)
Net profit after tax for the year	6,155,258	-
Interest on convertible debt	144,658	204,822
Tax effect	21,699	(30,723)
	<u>6,321,615</u>	<u>174,099</u>
Adjusted number of shares outstanding (number)	<u>127,331,363</u>	<u>30,000,000</u>
Diluted earnings per share (RO)	<u>0.05</u>	<u>0.006</u>

**Adjusted number of shares**

Weighted average number of shares outstanding during the year	107,331,363	102,791,994
Assumed conversion of convertible bonds @ 0.100 baiza per share	20,000,000	30,000,000
Total adjusted number of shares	<u>127,331,363</u>	<u>132,791,994</u>



# Dhofar Insurance Company SAOG

## Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

### 33 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors and subsequently ratified by the shareholders in the Annual General Meeting. The transactions are entered into at mutually agreed terms and conditions.

#### (a) Statement of profit or loss and other comprehensive income

	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
<b>Premiums written</b>		
Bank Dhofar SAOG	5,017,770	3,276,341
Dhofar Foods and Investments SAOG	342,814	-
Shanfari and Partners Company LLC	120,764	150,977
Omani Gulf Food Company LLC	132,083	169,005
[formerly Oman Vegetable Oils & Derivatives Co. LLC (OVOD)]		
Sharikat Fanniya Omaniya	98,032	105,206
Dhofar International Development and Investment Company SAOG	60,362	48,071
Oman Factory for School and Offices Stationery LLC	890	1,179
Other related parties	104,113	221,195
	<u>5,876,828</u>	<u>3,971,974</u>
<b>Claims paid</b>	<b>2023</b>	<b>2022</b>
Bank Dhofar SAOG	604,512	1,478,235
Dhofar Foods and Investments SAOG	38,029	-
Shanfari and Partners Company LLC	41,199	1,200
Dhofar International Development and Investment Company SAOG	3,872	10,452
Omani Gulf Food Company LLC	60,291	63,354
[formerly Oman Vegetable Oils & Derivatives Co. LLC (OVOD)]		
Sharikat Fanniya Omaniya	20	47,909
Other related parties	89,273	33,806
	<u>837,196</u>	<u>1,634,956</u>
<b>Acquisition cost for related parties</b>	<u>1,552,994</u>	<u>65,524</u>
<b>Directors' remuneration and sitting fees</b>	<u>247,400</u>	<u>245,500</u>
<b>Directors' meeting attendance expenses</b>	<u>89</u>	<u>10,108</u>

#### 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 or payables. For the year ended 31 December 2023, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (2022: 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.



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**33 Related party transactions (continued)**

**(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:

	2023	2022 (Restated)
<b>Other receivables and prepayments</b>		
Insurance contact receivable from related parties	1,821,800	2,119,885
<b>Outstanding claims payable (included in outstanding claims reserve) to other related parties</b>	426,042	255,453

**(c) Compensation to key managerial personnel of the Company**

	2023	2022 (Restated)
Short-term benefits	449,517	385,661
Employee benefit liabilities	20,399	15,845
	469,916	401,506

**34 Operating segments**

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic units, the Company's senior management reviews internal management reports on at least a quarterly basis.

The Company has the following operating segments by measurement:

**PAA insurance contracts:** PAA insurance contracts includes insurance and re-insurance of motor; fire and general accident; marine cargo and hull; and group life.

**GMM insurance contracts:** Individual life business relates to insuring of the life of an individual.

31 December 2023	PAA	GMM	Total
Insurance revenue (net of reinsurance)	43,221,648	580,145	43,801,793
Insurance costs (net of reinsurance)	(41,634,611)	(762,417)	(42,397,028)
Segment results	1,587,037	(182,272)	1,404,764
<b>Segment expenses</b>			
Insurance finance expenses	(1,524,933)	(393,228)	(1,918,161)
Reinsurance finance expenses	1,094,709	217,937	1,312,646
Total segment finance expenses	(430,224)	(175,291)	(605,515)
Segment profit before taxation	1,156,813	(357,563)	799,249
Add: Investment income			7,909,645
Add: Other income			48,941
Less: Other expenses			(1,427,302)
Net profit for the year			7,330,533
Segment assets	63,223,347	16,836,171	80,059,518
Unallocated assets			53,526,189
Total assets			133,585,707
Segment liabilities	69,823,595	21,581,996	91,405,591





**Dhofar Insurance Company SAOG**  
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**(Expressed in Omani Rial)**

**34 Operating segments (continued)**

**31 December 2022**

	<b>PAA</b>	<b>GMM</b>	<b>Total (Restated)</b>
Insurance revenue (net of reinsurance)	38,867,164	1,171,720	40,038,884
Insurance costs (net of reinsurance)	(36,257,798)	(2,568,193)	(38,825,991)
Segment results	2,609,366	(1,396,473)	1,212,893
<b>Segment expenses</b>			
Insurance finance expenses	1,307,895	513,408	1,821,303
Reinsurance finance expenses	(907,436)	(293,025)	(1,200,461)
Total segment finance expenses	400,459	220,383	620,842
Segment profit before taxation	3,009,825	(1,176,090)	1,833,735
	<b>PAA</b>	<b>GMM</b>	<b>Total</b>
Add: Investment income			3,779,595
Add: Other income			30,373
Less: Other expenses			(1,320,765)
Net profit for the year			4,322,938
Segment assets	45,419,834	24,307,657	69,727,491
Unallocated assets			50,368,025
Total assets			120,095,516
Segment liabilities	55,010,730	29,440,484	84,451,214

The company operates exclusively within the geographical boundaries of Sultanate of Oman and does not engage in any business activities outside of this jurisdiction.

**35 Financial instruments by categories**

The accounting policies for financial instruments have been applied to the line items below:

**31 December 2023 - (Restated)**

<b>Assets</b>	<b>At fair value through profit and loss</b>	<b>Amortised cost</b>	<b>At fair value through other comprehensiv e income</b>	<b>Total</b>
Quoted equity	-	-	4,316,079	4,316,079
Unquoted investments:	-	-	2,522,558	2,522,558
Investment in money market funds	2,198,090	-	-	2,198,090
Quoted Debt instruments	1,297,392	-	-	1,297,392
USD Bonds	-	13,751,543	-	13,751,543
Other	-	873,551	-	873,551
Bank deposits and cash	-	43,390,820	-	43,390,820
	<u>3,495,482</u>	<u>58,015,914</u>	<u>6,838,637</u>	<u>68,350,033</u>

<b>Liabilities</b>	<b>Financial liabilities</b>	<b>Total</b>
Other payables	#REF!	#REF!
Optional convertible bonds	2,000,000	2,000,000
	<u>#REF!</u>	<u>#REF!</u>



**35 Financial instruments by categories (continued)**

31 December 2022 Assets	Available-for- sale investments	Held-for- trading investments	Loans and receivables	Total
Quoted equity	-	-	2,784,979	2,784,979
Unquoted investments:	-	-	2,475,411	2,475,411
Investment in money market funds	201,477	-	-	201,477
Quoted Debt instruments	1,089,764	-	-	1,089,764
USD Bonds	-	11,237,091	-	11,237,091
Other receivables	-	1,352,671	-	1,352,671
Bank deposits and cash	-	39,788,461	-	39,788,461
	<u>1,291,241</u>	<u>52,378,223</u>	<u>5,260,390</u>	<u>58,929,854</u>
Liabilities			Financial liabilities	Total
Other Payables			#REF!	#REF!
Optional convertible bonds			3,000,000	3,000,000
			<u>#REF!</u>	<u>#REF!</u>

**36 Risk management****Governance framework**

The primary objective of the Company's risk and financial management framework is to protect the Company's Shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is in addition to a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

**Regulatory framework**

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing the affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also imposes certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

**Underwriting risk management**

Underwriting risk consists of insurance risk, persistency risk and expense risk.

Insurance risk is the risk of the loss event occurrence or the timing and amount of the loss being different from expectation. The Group's main income generating activity is the issuance of insurance contracts and therefore insurance risk is a principal risk.

The Group is exposed to different elements of insurance risks:



36 Risk management (continued)

**For life insurance policies:**

- Mortality risk: the risk of losses arising from death of life insurance policyholders being earlier than expected
- Morbidity risk: the risk of losses from medical claims occurring higher than expected
- Longevity risks: the risk of losses arising from longer life of policyholders than expected

**For Motor and property policies:**

- Catastrophe risk: the risk of incurring significant losses as a result of catastrophic events

**For all policies:**

- Premium risk: the risk that premiums charged to policyholders are less than claims cost on business written
- Reserve risk: the risk that the claims reserves are insufficient to cover all claims

**Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with adequate reinsurance arrangements and pro-active claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Company, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place

The Company principally issues general insurance contracts which constitutes mainly motor, marine and aviation and fire and general risks.

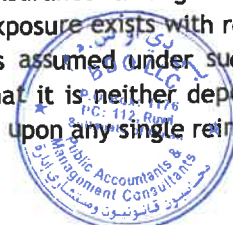
The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

The Company only deals with reinsurers approved by the management, which are generally international re-insurance companies that are rated by international rating agencies.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.



**36 Risk management (continued)****Reinsurance risk**

In order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company only deals with reinsurers approved by the Board of Directors.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The Company monitors reinsurance risk by individual reinsurers. An analysis of the Group's reinsurance risk concentrations per individual reinsurers is provided in the following tables. The amounts in the table represent gross carrying amounts.

The Company do not believe that there are significant concentrations of insurance or reinsurance risks.

**Financial risk**

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, listed and unlisted investments, cash and cash equivalents and interest bearing deposits.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign

Significantly all of the foreign currency transactions of the Company are either in US Dollars or in currencies linked to the US Dollar. As the RO is pegged against the US Dollar, management therefore does not consider any significant risk arising from transactions in foreign currencies.

The Company's exposure to foreign currency risk is as follows (Amount mentioned in RO below):

	2023		2022- (Restated)	
	US Dollars	Other currencies	US Dollars	Other currencies
Insurance and reinsurance receivables	6,509,941	-	6,025,182	-
Cash and cash equivalent	686,880	32,194	2,151,756	14,900
Reserves withheld from reinsurers	8,431,649	-	7,701,754	-
Due to reinsurers	7,968,801	-	4,559,387	-
	<u>23,597,271</u>	<u>32,194</u>	<u>20,438,079</u>	<u>14,900</u>

**Interest rate risk**

The Company invests in securities and has bank deposits that are subject to interest rate risk. Interest-rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest-bearing securities. The Company limits interest-rate risk by monitoring changes in interest rates.



# Dhofar Insurance Company SAOG

Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

## 36 Risk management (continued)

### Interest rate risk (continued)

#### Profile

At the reporting date, the interest-rate profile of the Company's interest-bearing financial instruments was as follows:

Fixed rate instruments	Carrying amounts	
	2023	2022 (Restated)
Financial assets	14,460,823	13,446,371
Financial liabilities	(3,413,855)	(3,111,206)
	<u>11,046,968</u>	<u>10,335,165</u>

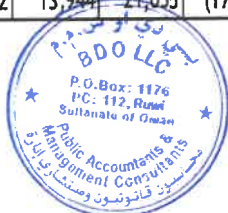
#### Sensitivity

The Company's bank deposits are denominated in foreign currencies, mainly US Dollars, as at 31 December 2023. As the US Dollar is pegged to the RO, the management does not believe that the Company is exposed to any material foreign exchange risk. Further, the bank balances are held with reputed financial institutions.

The following table details the impact of changes in key assumptions on the Company's profit or loss, equity and CSM before and after risk mitigation from reinsurance contracts held. This analysis is based on a change in one risk variable with all other variables held constant. Sensitivity analysis assumes that changes to variables can be made independently, which is very unlikely to occur in practice. There were no changes made from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

2023		Impact on CSM			Impact on P&L			Impact on Equity		
GMM Business	Changes in assumption	Gross	RI	Net	Gross	RI	Net	Gross	RI	Net
	%	RO	RO	RO	RO	RO	RO	RO	RO	RO
Risk Adjustment	-2.5%	12,467	3,030	15,498	90,540	(47,824)	42,716	90,540	(47,824)	42,716
Risk Adjustment	2.5%	(12,467)	(6,054)	(18,521)	(90,540)	54,859	(35,681)	(90,540)	54,859	(35,681)
Discount Rate	-1.0%	644	(680)	(36)	(216,824)	124,427	(92,398)	(216,824)	124,427	(92,397)
Discount Rate	1.0%	(585)	618	33	197,291	(112,989)	84,301	197,291	(112,989)	84,302
Mortality	-10.0%	(73,767)	71,672	(2,095)	86,109	(56,715)	29,395	86,109	(56,715)	29,394
Mortality	10.0%	74,488	(71,276)	3,212	(85,465)	56,885	(28,580)	(85,465)	56,885	(28,580)
Expenses	-5.0%	(22,424)	(20,531)	(42,955)	34,044	(20,531)	13,513	34,044	(20,531)	13,513
Expenses	5.0%	23,326	20,531	43,857	(33,141)	20,531	(12,610)	(33,141)	20,531	(12,610)

2022		Impact on CSM			Impact on P&L			Impact on Equity		
GMM Business	Changes in assumption	Gross	RI	Net	Gross	RI	Net	Gross	RI	Net
	%	RO	RO	RO	RO	RO	RO	RO	RO	RO
Risk Adjustment	-2.5%	(5,581)	(5,064)	(10,645)	69,328	(51,847)	17,480	69,328	(51,847)	17,480
Risk Adjustment	2.5%	5,581	5,064	10,645	(69,328)	51,847	(17,480)	(69,328)	51,847	(17,480)
Discount Rate	-1.0%	-	-	-	(246,832)	147,609	(99,223)	(246,832)	147,609	(99,223)
Discount Rate	1.0%	-	-	-	220,431	(131,096)	89,335	220,431	(131,096)	89,335
Mortality	-10.0%	(115,340)	124,031	8,691	105,429	(86,035)	19,395	105,429	(86,035)	19,395
Mortality	10.0%	61,419	(47,724)	13,695	(87,371)	106,063	18,692	(87,371)	106,063	18,692
Expenses	-5.0%	(8,213)	(13,944)	(22,157)	17,524	(13,944)	3,580	17,524	(13,944)	3,580
Expenses	5.0%	7,112	13,944	21,056	(17,241)	13,944	(3,297)	(17,241)	13,944	(3,297)



36 Risk management (continued)

Sensitivity (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company accounts for fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The interest rates are contractually agreed and remain constant throughout the maturity period.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring the market. In addition, the Company monitors actively the key factors that affect stock market movements.

2.63% of the Company's investments, including investment properties, at the statement of financial position date are outside of the Sultanate of Oman (31 December 2021: 2.02%).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Relevant financial instruments of the Company include bank balances, bank deposits and insurance premiums receivable. The Company monitors receivables on a regular basis and ensures bank balances and bank deposits are placed with reputable financial institutions.

Premiums receivable comprise a large number of customers mainly within the Sultanate of Oman.

The maximum credit exposure to credit risk for premiums and re-insurance receivable at the reporting date by geographic region are as follows:

	2023	2022
Sultanate of Oman	9,770,885	9,093,229
Europe	2,759,572	4,305,525
Middle East	2,449,106	1,590,530
Other Asian countries	296,557	129,127
	<u>15,276,120</u>	<u>15,118,411</u>



The maximum exposure to credit risk of the above for premiums and reinsurance premiums receivable at the reporting date by type is as follows:

	2023	2022
Corporate clients	8,212,690	8,005,333
Individuals	747,911	538,240
Reinsurers	6,315,520	6,574,838
	<u>15,276,121</u>	<u>15,118,411</u>



The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's experience. External ratings generally are not available in the environment in which the Company is operating.

Credit quality of financial assets

In accordance with the credit policy of the Company, customers, brokers, agents and reinsurers are extended a credit period in the normal course of business of up to 60 days, which in some cases, due to the market conditions and historical business relationship with the customers may be extended by a further period of 30 days as the demands of business may require. The credit quality of financial assets is determined by the counterparties' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the Company is

# Dhofar Insurance Company SAOG

## Notes to the financial statements for the year ended 31 December 2023

(Expressed in Omani Rial)

### 36 Risk management (continued)

#### Credit risk (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

#### Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are monitored regularly and management ensures that sufficient funds are available, including unutilised credit facilities with banks, to meet any commitments as they arise.

#### Maturity profile

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be

#### Financial Instrument

##### 2023

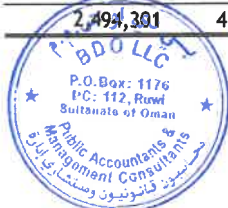
2023

	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity	Maturity	Sub-total	Maturity	Maturity	Sub-total	
	within one year	after one year		within one year	after one year		
RO							
Financial assets							
Cash and cash equivalents	15,060,998	-	15,060,998	709,280	-	709,280	15,770,278
Bank deposits	27,692,674	-	27,692,674	-	-	-	27,692,674
Investment in money market fund	2,198,090	-	2,198,090	-	-	-	2,198,090
Investments at amortised cost	4,221,397	9,530,146	13,751,543	-	-	-	13,751,543
Other receivables	-	-	-	873,551	-	873,551	873,551
Total financial assets	49,173,159	9,530,146	58,703,305	1,582,831	-	1,582,831	60,286,136
Financial Liabilities							
Optional convertible bonds	1,000,000	1,000,000	2,000,000	-	-	-	2,000,000
Other payables	1,188,589	-	1,188,589	-	-	-	1,188,589
Total financial liabilities	2,188,589	1,000,000	3,188,589	-	-	-	3,188,589

##### 2022 - (Restated)

2022 - (Restated)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity	Maturity	Sub-total	Maturity	Maturity	Sub-total	
	within one year	after one year		within one year	after one year		
RO							
Financial assets							
Cash and cash equivalents	10,145,643	-	-	2,209,280	-	2,209,280	2,209,280
Bank deposits	27,492,674	43,539,876	71,032,550	-	-	-	71,032,550
Investment in money market fund	201,477	-	201,477	-	-	-	201,477
Investments at amortised cost	-	11,237,091	11,237,091	-	-	-	11,237,091
Other receivables	-	-	-	1,108,305	-	1,108,305	1,108,305
Total financial assets	37,839,794	54,776,967	82,471,118	3,317,585	-	3,317,585	85,788,703
Financial Liabilities							
Optional Convertible bonds	1,000,000	2,000,000	3,000,000	-	-	-	3,000,000
Other payables	1,494,301	2,494,301	3,988,602	-	-	-	3,988,602
Total financial liabilities	2,494,301	4,494,301	6,988,602	-	-	-	6,988,602



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**36 Risk management (continued)**

**Maturity profile**

**Non - Financial instrument**

Particulars	31 December 2023		31 December 2022 - (Restated)	
	Within one year	Total	Within one year	Total
Insurance funds	84,199,975	84,199,975	82,724,956	82,724,956
Reserves withheld from reinsurers	8,346,860	8,346,860	7,690,780	7,690,780
Due to reinsurers	7,999,421	7,999,421	4,611,822	4,611,822
Net principal liabilities	<u>100,546,256</u>	<u>100,546,256</u>	<u>95,027,558</u>	<u>95,027,558</u>

**Claims**

The table below summarizes actual claims compared with previous estimates of the undiscounted amount of the claims. The Group presents information on the gross and net claims development for claims incurred 10 years before the reporting period. The Group reconciles the LIC presented in the table with the aggregate carrying amount of the groups of insurance contracts.

**2023**

Gross claim development	Accident year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
undiscounted ultimate gross claims	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
At end of claim year	35,233,832	18,692,274	30,678,082	30,577,152	106,221,958	19,362,412	28,149,451	38,590,165	27,862,265	39,254,183
One year later	70,688,214	37,942,991	38,995,097	35,819,145	98,681,459	24,374,942	29,941,643	43,876,827	34,120,396	-
Two year later	77,202,109	38,638,342	36,733,955	31,517,289	83,435,219	22,619,962	26,808,113	41,941,706	-	-
Three year later	78,540,520	38,596,538	38,720,175	31,296,413	84,088,661	22,306,043	26,284,700	-	-	-
Four year later	78,393,449	38,784,707	38,673,848	31,110,604	84,015,269	22,418,637	-	-	-	-
Five year later	75,687,398	38,350,579	38,788,422	31,032,487	83,443,432	-	-	-	-	-
Six year later	75,723,081	38,312,500	38,749,047	31,058,637	-	-	-	-	-	-
Seven year later	91,349,163	38,303,148	38,703,181	-	-	-	-	-	-	-
Eight year later	91,380,845	38,291,874	-	-	-	-	-	-	-	-
Nine year later	91,368,586	-	-	-	-	-	-	-	-	-

**2022**

Gross claim development	Accident year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
undiscounted ultimate gross claims	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
At end of claim year	-	13,622,452	18,692,274	30,678,082	30,577,152	106,221,958	19,362,412	28,149,451	38,590,165	35,730,969
One year later	21,611,380	30,905,724	37,942,991	38,995,097	35,819,145	98,681,459	24,374,942	29,941,643	44,336,371	-
Two year later	39,782,490	37,565,037	38,638,342	36,733,955	31,517,289	83,435,219	22,619,962	27,128,980	-	-
Three year later	39,637,883	38,449,372	38,596,538	38,720,175	31,296,413	84,088,661	22,331,776	-	-	-
Four year later	40,091,958	38,580,735	38,784,707	38,673,848	31,110,604	84,023,564	-	-	-	-
Five year later	39,813,674	35,900,686	38,350,579	38,788,422	31,035,375	-	-	-	-	-
Six year later	39,788,026	35,990,847	38,312,500	38,749,047	-	-	-	-	-	-
Seven year later	39,733,549	35,954,914	38,303,148	-	-	-	-	-	-	-
Eight year later	55,395,594	35,968,236	-	-	-	-	-	-	-	-

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of the shareholders, as well as the return on capital, which the Company defines as total equity and the level of There were no changes in the Company's approach to capital management during the year. The Company is subject to capital requirements imposed by local regulatory authorities.



**Dhofar Insurance Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2023**  
**(Expressed in Omani Rial)**

**36 Risk management (continued)**  
**Capital management**

	31 December 2023	31 December 2022
Optional Convertible bonds	2,000,000	3,000,000
Other payables	2,301,222	2,805,113
Insurance contract liabilities	89,514,265	84,330,918
Reinsurance contract liabilities	1,021,274	70,434
Cash and cash equivalents	(15,765,063)	(12,354,923)
Reinsurance contract assets	(46,551,398)	(47,795,795)
Net debt	32,520,300	30,055,747
	31 December 2023	31 December 2022 (Restated)
Share capital	12,000,000	11,000,000
Retained earnings	9,086,800	5,672,881
Legal reserve	2,016,457	1,401,887
Contingency reserve	12,000,000	11,000,000
Investment fair value reserve	963,275	(618,535)
Revaluation reserve in equity investees	-	470,176
Revaluation reserve	-	561,450
Total shareholder's equity	36,066,532	29,485,837
Total capital and net debt	68,586,832	59,541,584
Gearing ratio	47%	50%



**37 Fair value**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Company's financial assets and liabilities, with the exception of certain unquoted investments, are not materially different from their carrying values as at the statement of financial position date.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

**Investment in equity securities**

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.

**Financial liabilities**

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Receivables**

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**38 Comparative figures**

Certain comparative information/corresponding figures have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current year's financial statements, the effect of which is not material, and which does not result in any changes in net profits or shareholders' equity. also refer note 4(c).

### 39 Legal court cases and contingent liabilities

#### (a) Legal court cases

As at 31 December 2023, the Company has the following outstanding contingent assets arising from legal cases filed against its ex-employees for misappropriation of funds and misusing their authority for personal gains. However, these employees have filed counter claims against the Company which can lead to contingent liabilities in future.

	31 December 2023	31 December 2022
<b>- Contingent assets</b>		
The Company had filed a civil case against the ex-Chief Executive Officer, to repay RO 1,124,986 plus 6.5% interest and court expenses. The Company lost the case in the Appeals Court but appealed the decision which was accepted by the Supreme Court, who transferred the case to Muscat Appeals Court. The Appeals Court has issued judgment in favour of the Company to enforce ex-Chief Executive Officer to pay the amount. The ex-Chief Executive Officer filed an objection before the Supreme Court, which got rejected on 22 June 2022. The Company has submitted an application to the enforcement judge to go ahead with the enforcement proceedings.	925,486	925,486
Eviction case was filed against the ex-Chief Executive officer for the villa occupied by him that was given to him by the Company. The Primary Court has rendered a judgment condemning the ex-Chief Executive officer to vacate the villa and pay RO 3,000 per month from 1 September 2016. The ex-Chief Executive Officer has filed an appeal against vacating the villa. The Appeals Court has issued judgment in favour of the Company. On 1 April 2021, the Court sent a letter to Muscat Clearing and Depository ("MCD") to provide details of the amount of shares owned by the ex-Chief Executive Officer but so far MCD has not responded.	142,534	142,534
A judgment was issued by Muscat Primary Court for an eviction case filed against the ex-General Manager for villa rent and utility consumption which was earlier paid by the Company. There are no assets in the name of the ex-General Manager. The Company is considering enforcing the judgment in Syria. The enforcement file is still open at the court.	34,940	34,940
<b>Total (a)</b>	<b>1,102,960</b>	<b>1,102,960</b>

#### (b) Contingent liabilities

	31 December 2023	31 December 2022
Letters of lien against fixed deposits (note 9)	27,027,025	27,527,025

#### (c) Legal claims

The Company, consistent with the 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 the court cases will have a material impact on its income or financial position.

#### 40 Subsequent events

There were no events occurring subsequent to 31 December 2023 and before the date of the report that are expected to have a significant impact on these financial statements.

