

Dhofar Insurance Company SAOG
Unaudited condensed financial statements
For the period ended 30 June, 2018
(Expressed in Omani

1 Legal status and principal activities

Dhofar Insurance Company SAOG (the Company) is a joint stock company registered under the Commercial Companies Law of Oman and is engaged in the business of insurance (general and life) within the Sultanate of Oman.

2 Significant accounting policies

(a) Basis of preparation

These unaudited condensed financial statements have been prepared under the going concern and historical cost basis, except for the measurement at fair value of available for sale investments, investments at fair value through profit or loss (held for trading) and investment properties to the extent required or permitted under IFRS as set out in the relevant accounting policies.

(i) Statement of compliance

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, the applicable provisions of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman, Insurance Companies Law 1979 and the Rules and Guidelines on disclosures issued by the Capital Market

(ii) Interim financial reporting

The Company has elected to publish condensed set of financial statements as its interim financial statements under IAS 34. Recognition and measurement guidance of IAS 34 applies also to complete financial statements for an interim period, and these interim financial statements include all of the disclosures required by IAS 34 as well as those required by other IFRS.

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

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under outstanding claims, impairment of available for sale investments and impairment of receivables.

(iv) Seasonality of operations

The nature of the Company's business is such that substantial volume of insurance policy renewals and new policies occur in the first half of the year.

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3 Property and equipment

	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	House hold furniture	Total
Cost						
At 1 January 2018	260,000	840,000	3,455,141	355,575	325,601	5,236,317
Additions during the period	-	-	49,530	-	105	49,635
Disposals	-	-	-	(85,250)	-	(85,250)
At 30 June 2018	<u>260,000</u>	<u>840,000</u>	<u>3,504,671</u>	<u>270,325</u>	<u>325,706</u>	<u>5,200,702</u>
Accumulated depreciation						
At 1 January 2018	-	95,200	2,856,330	309,874	312,983	3,574,387
Depreciation charged	-	16,800	186,023	11,332	3,443	217,598
On disposals	-	-	-	(70,797)	-	(70,797)
At 30 June 2018	<u>-</u>	<u>112,000</u>	<u>3,042,353</u>	<u>250,409</u>	<u>316,426</u>	<u>3,721,188</u>
Net book amount						
At 30 June 2018	<u>260,000</u>	<u>728,000</u>	<u>462,318</u>	<u>19,916</u>	<u>9,280</u>	<u>1,479,514</u>
	Freehold land	Buildings on freehold land	Office furniture and equipment	Motor vehicles	House hold furniture	Total
Cost						
At 1 January 2017	260,000	840,000	3,354,035	427,475	321,023	5,202,533
Additions during the period	-	-	66,157	-	4,250	70,407
Disposals	-	-	-	(71,900)	-	(71,900)
At 30 June 2017	<u>260,000</u>	<u>840,000</u>	<u>3,420,192</u>	<u>355,575</u>	<u>325,273</u>	<u>5,201,040</u>
Accumulated depreciation						
At 1 January 2017	-	61,600	2,437,186	277,105	302,924	3,078,815
Depreciation charged	-	16,800	208,868	32,113	5,013	262,794
On disposals	-	-	-	(31,456)	-	(31,456)
At 30 June 2017	<u>-</u>	<u>78,400</u>	<u>2,646,054</u>	<u>277,762</u>	<u>307,937</u>	<u>3,310,153</u>
Net book amount						
At 30 June 2017	<u>260,000</u>	<u>761,600</u>	<u>774,138</u>	<u>77,813</u>	<u>17,336</u>	<u>1,890,888</u>
At 31 December 2017	<u>260,000</u>	<u>744,800</u>	<u>598,811</u>	<u>45,701</u>	<u>12,618</u>	<u>1,661,930</u>

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4 Investment properties	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
As at 1 January	8,935,000	8,935,000	8,935,000
Changes in fair value during the period	-	-	-
	8,935,000	8,935,000	8,935,000

Investment properties, comprising real estate investments, are under lien to the Capital Market Authority. The carrying amount of the investment properties is the aggregate fair value as determined by an independent value. Fair value was determined as being the most probable price the property can fetch in a competitive open market. In October 2017, the Company obtained a valuation of its investment properties from an independent valuer, which indicated that the fair values of the investment properties fairly represented their market values.

5 Investments	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
Available-for-sale investments (Note 5a)	3,785,546	4,300,645	4,932,111
Investment in equity accounted investees (Note 5b)	2,930,381	2,891,135	2,943,015
Held-for-maturity investments (Note 5d)	5,123,800		5,123,800
Total non-trading investments	11,839,727	7,191,780	12,998,926
Held-for-trading investments (Note 5c)	462,765	2,919,062	1,474,925
Total investments	12,302,492	10,110,842	14,473,851

5A Available for sale investments :	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
<u>Quoted equity investments:</u>			
Local quoted equity investments:			
Service sector	2,072,355	3,446,765	3,212,927
Investment sector	575,769	640,647	598,348
	2,648,124	4,087,412	3,811,275
Foreign quoted equity investments:			
Insurance sector	30,060	34,084	36,260
	30,060	34,084	36,260
<u>Unquoted investments:</u>			
Unquoted investments	1,107,362	179,149	1,084,576
	1,107,362	179,149	1,084,576
	3,785,546	4,300,645	4,932,111

5B Investment in equity accounted investees :
The Company has the following investment in associate:

	Number of shares	Percentage of issued share capital	Audited 30 June 18
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,930,381
			2,930,381
	Number of shares	Percentage of issued share capital	Audited 30 June 17
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,891,135
			2,891,135
	Number of shares	Percentage of issued share capital	Audited 31 Dec 17
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,943,015
			2,943,015

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5 Investments (continued)

5C Held-for-trading investments

	Unaudited 30 June 18		Unaudited 30 June 17		Audited 31 Dec 17	
	Market value	Cost	Market value	Cost	Market value	Cost
<i>Quoted local investments:</i>						
Banking sector	-	-	1,470,050	1,350,001	357,420	394,359
Service sector	234,640	328,573	359,640	429,235	324,406	429,235
Investment sector	53,817	116,715	714,967	405,910	607,981	235,094
Others	174,308	73,259	374,405	297,370	185,118	73,259
	462,765	518,548	2,919,062	2,482,517	1,474,925	1,131,947

5D Held-to-maturity investments

Held-to-maturity investments comprise of the following:

	30 June '2018		30 June '2017		31st Dec 2017	
	Market value	Cost	Market Value	Cost	Market Value	Cost
Bank Sohar Perpetual Bonds	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Sultanate of Oman Government Development Bonds	4,123,800	4,067,300	-	-	4,123,800	4,067,300
	5,123,800	5,067,300	-	-	5,123,800	5,067,300

6 Bank deposits, bank balances, cash and bank loan

6A Bank deposits (non-current assets)

	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
Bank deposits with a maturity of greater than twelve months from the date of placement	31,112,546	35,112,546	31,112,546

The bank deposits carry interest rates ranging between 1.20% per annum and 4.85% per annum (30 June 2017: between 1.2% per annum and 4.50% per annum).

6B Bank deposits and cash (current assets)

	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
Cash and cash equivalents	4,687,869	2,300,529	2,623,950
Short term deposits	150,000	150,000	150,000
	4,837,869	2,450,529	2,773,950

6C Bank loan

The Company has obtained a short-term loan facility of RO 4.9 million with a sub-limit of bank overdraft RO 0.1 million. The outstanding amount is RO 3 million as at 30 June 2018. The short-term loan bears an interest rate of 6% per annum. The above facility is secured by way of a commercial charge over the current assets of the Company.

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7 Insurance and reinsurance contract receivables	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
Premiums receivable	6,517,269	13,263,706	4,914,278
Premiums receivable from related parties (Note 16B)	349,133	441,110	37,280
Reinsurance balance receivable	4,092,708	1,656,619	1,881,677
Provision for impaired premiums and reinsurance receivables	(1,214,080)	-	(1,214,080)
	9,745,031	15,361,435	5,619,155

8 Share capital	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
Authorised			
Authorised 300,000,000 ordinary shares of RO 0.100 each (2017: 200,000,000 ordinary shares of RO 0.100 each)	30,000,000	20,000,000	20,000,000
Issued and fully paid-up 120,000,000 ordinary shares of RO 0.100 each (2017: 200,000,000 ordinary shares of RO 0.100 each)	12,000,000	20,000,000	20,000,000

The Company has completed the paid-up shared capital reduction from OMR 20,000,000 to OMR 10,000,000 after obtaining necessary approvals as required. During the Quarter, the Company made a Rights issue to mobilise a further capital to the tune of OMR 2,000,000. Post allotment of shares, the paid up share capital stands increased to OMR 12,000,000.

Significant shareholdings:

Shareholders of the Company who own 10% or more of the Company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	Unaudited 30 June 18	Unaudited 30 June 17	Audited 31 Dec 17
	% of Holding	% of Holding	% of Holding
	Number of shares	Number of shares	Number of shares
Dhofar International Development and Investment Company SAOG	36.59	35.05	35.05
	36,592,904	70,096,000	70,096,000
H.E.Abdul Alem Mustahil Rakhyoot	15.06	15.06	15.06
	15,062,797	30,125,600	30,125,600

9 Contingency reserve

During the period ended 30 June 2018, the Company has not transferred any amount to contingency reserve due to accumulated loss.

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10 Insurance funds

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

	Unaudited 30 June 2018			Unaudited 30 June 2017			Audited 31 December 2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	share	Net
(a) General									
Claims outstanding	84,877,515	(71,136,084)	13,741,431	29,876,477	(16,082,178)	13,794,299	32,118,319	(17,450,592)	14,667,727
Claims incurred but not reported	13,603,643	(6,686,587)	6,917,056	12,718,528	(5,041,315)	7,677,213	9,050,681	(3,208,408)	5,842,273
Unearned premiums	15,570,240	(5,924,056)	9,646,184	22,728,693	(11,816,763)	10,911,930	23,765,209	(12,945,209)	10,820,000
	<u>114,051,398</u>	<u>(83,746,727)</u>	<u>30,304,671</u>	<u>65,323,698</u>	<u>(32,940,256)</u>	<u>32,383,442</u>	<u>64,934,209</u>	<u>(33,604,209)</u>	<u>31,330,000</u>
(b) Life									
Claims outstanding	2,007,549	(1,645,633)	361,916	589,808	(432,736)	157,072	831,774	(628,033)	203,741
Claims incurred but not reported	-	-	-	-	-	-	715,226	(549,967)	165,259
Unearned premiums reserve	780,518	(466,305)	314,213	2,208,496	(1,755,676)	452,820	1,096,000	(857,000)	239,000
	<u>2,788,067</u>	<u>(2,111,938)</u>	<u>676,129</u>	<u>2,798,304</u>	<u>(2,188,412)</u>	<u>609,892</u>	<u>2,643,000</u>	<u>(2,035,000)</u>	<u>608,000</u>
Total insurance funds	<u>116,839,465</u>	<u>(85,858,665)</u>	<u>30,980,800</u>	<u>68,122,002</u>	<u>(35,128,668)</u>	<u>32,993,334</u>	<u>67,577,209</u>	<u>(35,639,209)</u>	<u>31,938,000</u>

11 Net assets per share

The calculation of net assets per share is based on net assets of RO 23,981,083/- (30th June 2017: RO16,812,254/- and RO 16,449,319/- as at 31 December 2017) attributable to ordinary shareholder on 120,000,000 ordinary shares being the number of ordinary share outstanding as at 30 June 2018. (200,000,000 ordinary shares on 30 June 2017 and 31 December 2017.)

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12 Net underwriting results

	Unaudited period ended 30 June 2018			Unaudited period ended 30 June 2017		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	17,875,180	2,684,933	20,560,113	24,942,416	2,572,592	27,515,008
Reinsurance premium ceded	(7,950,391)	(1,510,521)	(9,460,912)	(11,992,404)	(1,808,855)	(13,801,259)
Net retained premium	9,924,789	1,174,412	11,099,201	12,950,012	763,737	13,713,749
Movement in unearned premium reserve (net)	1,173,816	(75,213)	1,098,603	(743,080)	(234,544)	(977,624)
Commission earned on reinsurance ceded	1,184,075	162,284	1,346,359	1,167,326	246,356	1,413,682
	2,357,891	87,071	2,444,962	424,246	11,812	436,058
Total insurance revenue	12,282,680	1,261,483	13,544,163	13,374,258	775,549	14,149,807
Costs						
Gross claims paid	13,159,886	1,673,243	14,833,129	17,319,417	1,438,652	18,758,069
Reinsurance share	(4,010,384)	(1,210,035)	(5,220,419)	(4,859,628)	(973,232)	(5,832,860)
Net claims paid	9,149,502	463,208	9,612,710	12,459,789	465,420	12,925,209
Movement in outstanding claims reserve (net)	148,487	(7,088)	141,399	(805,916)	(18,161)	(824,077)
Net claims incurred	9,297,989	456,120	9,754,109	11,653,873	447,259	12,101,132
Commission expenses	251,117	7,642	258,759	311,943	9,214	321,157
Total insurance costs	9,549,106	463,762	10,012,868	11,965,816	456,472	12,422,289
Net underwriting results	2,733,574	797,720	3,531,294	1,408,442	319,077	1,727,518

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12 Net underwriting results (continued)

The underwriting result before reinsurance recoveries are analysed as follows:

	Unaudited 30 June 2018		Unaudited 30 June 2017	
	Net retained premium	Underwriting result before reinsurance recoveries	Net retained premium	Underwriting result before reinsurance recoveries
Motor	8,056,699	595,339	11,192,248	(4,191,874)
Fire and general accident	1,839,283	(44,439,368)	1,730,707	10,196,207
Marine cargo and hull	28,807	(808,982)	27,057	317,787
Life	1,174,412	858,981	763,737	859,077
	11,099,201	(43,794,030)	13,713,749	7,181,197

The net claims ratio is as follows:

	Unaudited period ended 30 June 2018 Percentage	Unaudited period ended 30 June 2017 Percentage
Motor	92	103
Fire and general accident	53	49
Marine cargo and hull	647	9
Life	41	85
Overall loss ratio	80	95

The net claims ratio is calculated by dividing the net claims incurred (gross claims less reinsurance and other recoveries) by the net earned premiums (gross premiums written less premiums ceded plus movement in unearned premium reserve).

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13 Investment income and changes in fair value of investment property

	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
Net Investment income		
Interest income on bank deposits & Bonds	768,263	534,921
Rental income from investment properties	199,193	204,836
Dividend income	184,338	250,798
Other investment income	485	3,685
Share of profit/(losses) from investment in equity accounted investees	(13,250)	51,809
Net unrealised loss on held-for-trading investments	(22,554)	(192,447)
Loss on sale of shares	(426,612)	(16,941)
	689,863	836,661

14 Other income

	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
Policy fees	81,045	290,330
Cancellation Fees	5	-
Transfer fees	134,267	280,775
Foreign exchange profit	-	995
Sundry income	4,875	13,765
Profit on sale of AAA card	2,978	2,832
Commission income (orange card)	90,561	124,926
Profit / (loss) on sale of Fixed assets	26,547	(2,344)
	340,278	711,279

15 Earnings per share

Earnings per share is calculated by dividing the net profit/(loss) for the period by the average number of shares outstanding during the year as follows:

	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
Net profit / (loss) for the period	661,467	(308,480)
Average number of shares outstanding during the period	120,000,000	200,000,000
Basic earnings / (loss) per share	0.006	(0.002)

16 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners. The transactions are entered into at mutually agreed terms and conditions. The approximate volume of such transactions involving related parties and holders of 10% or more of the Company's shares or their family members, other than those separately disclosed, during the year were as follows:

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16 Related party transactions (continued)

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

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of profit or loss are as follows:

	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	10,303	10,459
Dhofar International Development and Investment Company SAOG	45,967	1,545
Bank Dhofar	1,736,574	1,649,927
Other related parties	196,019	208,500
	1,988,863	1,870,431
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	-	829
Dhofar International Development and Investment Company SAOG	-	-
Bank Dhofar	1,070,984	745,098
Other related parties	31,027	43,363
	1,102,011	789,290
Directors' sitting fees	23,200	36,300
Directors' travelling allowance	23,304	3,705

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the period ended 30 June 2018, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (30 June 2017: same terms and conditions). This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

(b) Balances with related parties, included under the following headings, are as follows:

Balances due from related parties or holders of 10% or more of the Company's shares, or their family members, less provisions and write-offs, is analysed as follows:

	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
Deposits, other receivables and prepayments		
Receivable from Ex-Chief Executive Officer	932,353	932,353
Other recoverable from related parties	30,000	40,000
Premiums receivable from related parties	349,133	441,110
Outstanding claims payable (included in outstanding claims reserve) to other related parties	1,566,789	1,198,912
Fixed deposits with Bank Dhofar SAOG	30,932,907	30,932,907

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(c) Compensation to key management personnel of the Company	Unaudited Period ended 30 June 2018	Unaudited Period ended 30 June 2017
Short-term-benefits	329,891	197,236
Employees' terminal benefits	11,893	6,338
	<u>341,784</u>	<u>203,574</u>

17 Contingencies

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

18 Mandatorily Convertible Bonds

During the Quarter, the Company has issued mandatorily convertible bonds for OMR 5,000,000 at a coupon rate of 7.50% p.a. after obtaining necessary approvals as required

19 Comparative figures

Certain comparative information/corresponding figures have been reclassified to conform to the presentation adopted in these financial statements, the effect of which is not material. Corresponding figures for comparative purposes presented in the statement of financial position are as at 30 June 2018 and for statements of comprehensive income and cash flows, period ended 30 June 2018