

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

1 Legal status and principal activities

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

2 Significant accounting policies

(a) Basis of preparation

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

(i) Statement of compliance

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

(ii) Interim financial reporting

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

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

(iii) Use of estimates and judgements

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

(iv) Seasonality of operations

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

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

3 Property and equipments

	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	-	-	53,289	-	105	53,394
Disposals	-	-	-	(216,100)	-	(216,100)
At 30 Sept 2018	<u>260,000</u>	<u>840,000</u>	<u>3,508,430</u>	<u>139,475</u>	<u>325,706</u>	<u>5,073,611</u>
Accumulated depreciation						
At 1 January 2018	-	95,200	2,856,330	309,874	312,983	3,574,387
Depreciation charged	-	25,200	279,506	10,412	5,164	320,282
On disposals	-	-	-	(189,251)	-	(189,251)
At 30 Sept 2018	<u>-</u>	<u>120,400</u>	<u>3,135,836</u>	<u>131,035</u>	<u>318,147</u>	<u>3,705,418</u>
Net book amount						
At 30 Sept 2018	<u>260,000</u>	<u>719,600</u>	<u>372,594</u>	<u>8,440</u>	<u>7,559</u>	<u>1,368,193</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	-	-	70,045	-	4,580	74,625
Disposals	-	-	-	(71,900)	-	(71,900)
At 30 Sept 2017	<u>260,000</u>	<u>840,000</u>	<u>3,424,080</u>	<u>355,575</u>	<u>325,603</u>	<u>5,205,258</u>
Accumulated depreciation						
At 1 January 2017	-	61,600	2,437,186	277,105	302,924	3,078,815
Depreciation charged	-	25,200	313,567	48,169	7,544	394,481
On disposals	-	-	-	(31,456)	-	(31,456)
At 30 Sept 2017	<u>-</u>	<u>86,800</u>	<u>2,750,753</u>	<u>293,818</u>	<u>310,468</u>	<u>3,441,840</u>
Net book amount						
At 30 Sept 2017	<u>260,000</u>	<u>753,200</u>	<u>673,327</u>	<u>61,757</u>	<u>15,135</u>	<u>1,763,419</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>

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

4 Investment properties	Unaudited 30 Sept 18	Unaudited 30 Sept 17	Audited 31 Dec 17
As at 1 January	8,935,000	8,935,000	8,935,000
Changes in fair value during the year	-	-	-
At 30 Sept	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 Sept 18	Unaudited 30 Sept 17	Audited 31 Dec 17
Available-for-sale investments (Note 5a)	3,794,313	4,256,097	4,932,111
Investment in equity accounted investees (Note 5b)	2,820,489	2,923,953	2,943,015
Held-to-maturity investments (Note 5d)	5,123,800	-	5,123,800
Total non-trading investments	6,614,802	7,180,050	12,998,926
Held-for-trading investments (Note 5c)	424,270	2,487,650	1,474,925
Total investments	7,039,072	9,667,700	14,473,851

5A Available for sale investments :			
<u>Quoted equity investments:</u>	Unaudited	Unaudited	Audited
Local quoted equity investments:	30 Sept 18	30 Sept 17	31 Dec 17
Service sector	738,576	3,431,802	3,212,927
Investment sector	526,848	609,638	598,348
	1,265,424	4,041,440	3,811,275
Foreign quoted equity investments:			
Insurance sector	30,060	35,508	36,260
	30,060	35,508	36,260
<u>Unquoted investments:</u>			
Unquoted investments	2,498,829	179,149	1,084,576
	2,498,829	179,149	1,084,576
	3,794,313	4,256,097	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	Unaudited 30 Sept 18
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,820,489
			2,820,489
	Number of shares	Percentage of issued share capital	Unaudited 30 Sept 17
Oman Vegetable Oils & Derivatives Co. LLC (OVOD)	2,500,000	38.46%	2,923,953
			2,923,953
	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

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

5 Investments (continued)

5C Held-for-trading investments

	Unaudited 30 Sept 18		Unaudited 30 Sept 17		Audited 31 Dec 17	
	Market value	Cost	Market value	Cost	Market value	Cost
<i>Quoted local investments:</i>						
Banking sector	-	-	345,291	395,281	357,420	394,359
Service sector	225,537	326,038	349,733	429,235	324,406	429,235
Investment sector	53,419	116,715	1,602,233	1,235,094	607,981	235,094
Others	145,314	73,259	190,393	73,259	185,118	73,259
	424,270	516,012	2,487,650	2,132,869	1,474,925	1,131,947

5D Held-to-maturity investments

Held-to-maturity investments comprise of the following:

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

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

6B Bank deposits and cash (current assets)

	Unaudited 30 Sept 18	Unaudited 30 Sept 17	Audited 31 Dec 17
Cash and cash equivalents	8,183,919	3,127,238	2,623,950
Short term deposits	150,000	150,000	150,000
	8,333,919	3,277,238	2,773,950

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

7 Insurance and reinsurance contract receivables	Unaudited 30 Sept 18	Unaudited 30 Sept 17	Audited 31 Dec 17
Premiums receivable	5,748,527	9,740,670	4,914,278
Premiums receivable from related parties (Note 16B)	232,011	54,249	37,280
Reinsurance balance receivable	8,696,070	1,482,652	1,881,677
Provision for impaired premiums and reinsurance receivables	(1,439,080)	-	(1,214,080)
	13,237,528	11,277,571	5,619,155

8 Share capital	Unaudited 30 Sept 18	Unaudited 30 Sept 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 100,000,000 ordinary shares of RO 0.100 each	10,000,000	20,000,000	20,000,000

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

Significant shareholdings:

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

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

9 Contingency reserve

During the period ended 30th September 2018, the Company has not transferred any amount to contingency reserve due to accumulated loss. The Company will transfer any amount to the contingency reserve if required in the year end.

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

10 Insurance funds

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

	Unaudited 30 Sept 2018			Unaudited 30 Sept 2017			Audited 31 December 2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
(a) General									
Claims outstanding	86,139,642	(73,420,140)	12,719,502	30,340,372	(16,529,332)	13,811,040	32,118,319	(17,450,592)	14,667,727
Claims incurred but not reported	13,142,730	(6,301,529)	6,841,201	12,683,022	(5,058,096)	7,624,926	9,050,681	(3,208,408)	5,842,273
Unearned premiums	17,313,094	(7,993,224)	9,319,870	20,289,743	(9,771,008)	10,518,735	23,765,209	(12,945,209)	10,820,000
	<u>116,595,466</u>	<u>(87,714,893)</u>	<u>28,880,573</u>	<u>63,313,137</u>	<u>(31,358,436)</u>	<u>31,954,701</u>	<u>64,934,209</u>	<u>(33,604,209)</u>	<u>31,330,000</u>
(b) Life									
Claims outstanding	2,183,413	(1,769,485)	413,928	814,189	(593,521)	220,668	831,774	(628,033)	203,741
Claims incurred but not reported	-	-	-	-	-	-	715,226	(549,967)	165,259
Unearned premiums reserve	787,890	(461,384)	326,506	2,203,834	(1,605,757)	598,077	1,096,000	(857,000)	239,000
	<u>2,971,303</u>	<u>(2,230,869)</u>	<u>740,434</u>	<u>3,018,023</u>	<u>(2,199,278)</u>	<u>818,745</u>	<u>2,643,000</u>	<u>(2,035,000)</u>	<u>608,000</u>
Total insurance funds	<u>119,566,769</u>	<u>(89,945,762)</u>	<u>29,621,007</u>	<u>66,331,160</u>	<u>(33,557,714)</u>	<u>32,773,446</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 25,303,555/- (30 Sept 2017: RO16,373,222/- and RO 16,449,319/- as at 31 December 2017) attributable to ordinary shareholder on 100,000,000 ordinary shares being the number of ordinary share outstanding as at 30 Sept 2018 (200,000,000 ordinary shares on 30 September 2017 and 31 December 2017.)

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

12 Net underwriting results

	Unaudited period ended 30 Sept 2018			Unaudited period ended 30 Sept 2017		
	General business	Life	Total	General business	Life	Total
Revenue						
Gross premium written	29,100,996	3,891,311	32,992,307	32,305,423	3,729,820	36,035,243
Reinsurance premium ceded	(14,969,855)	(2,190,888)	(17,160,743)	(14,579,817)	(2,522,023)	(17,101,840)
Net retained premium	14,131,141	1,700,423	15,831,564	17,725,606	1,207,797	18,933,403
Movement in unearned premium reserve (net)	1,500,130	(87,506)	1,412,624	(349,885)	(379,803)	(729,688)
Commission earned on reinsurance ceded	1,676,350	239,198	1,915,548	1,604,535	352,059	1,956,594
	3,176,480	151,692	3,328,172	1,254,650	(27,743)	1,226,906
Total insurance revenue	17,307,621	1,852,115	19,159,736	18,980,256	1,180,054	20,160,309
Costs						
Gross claims paid	36,042,314	3,146,646	39,188,960	24,580,492	2,036,504	26,616,996
Reinsurance share	(23,685,663)	(2,222,794)	(25,908,457)	(6,735,558)	(1,462,422)	(8,197,980)
Net claims paid	12,356,651	923,852	13,280,503	17,844,934	574,082	18,419,016
Movement in outstanding claims reserve (net)	(949,297)	44,928	(904,369)	(841,462)	45,435	(796,027)
Net claims incurred	11,407,354	968,780	12,376,134	17,003,472	619,517	17,622,989
Commission expenses	316,290	9,704	325,994	371,171	10,250	381,421
Total insurance costs	11,723,644	978,484	12,702,128	17,374,643	629,767	18,004,410
Net underwriting results	5,583,977	873,631	6,457,608	1,605,613	550,287	2,155,899

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

12 Net underwriting results (continued)

The underwriting result before reinsurance recoveries are analysed as follows:

	Unaudited 30 Sept 2018		Unaudited 30 Sept 2017	
	Net retained premium	Underwriting result before reinsurance recoveries	Net retained premium	Underwriting result before reinsurance recoveries
Motor	11,505,501	1,748,746	15,309,595	(4,606,163)
Fire and general accident	2,589,448	(60,057,550)	2,382,340	12,586,456
Marine cargo and hull	36,192	(610,062)	33,671	395,091
Life	1,700,423	406,658	1,207,797	1,197,697
	<u>15,831,564</u>	<u>(58,512,208)</u>	<u>18,933,403</u>	<u>9,573,081</u>

The net claims ratio is as follows:

	Unaudited period ended 30 Sept 2018 Percentage	Unaudited period ended 30 Sept 2017 Percentage
Motor	78	105
Fire and general accident	50	52
Marine cargo and hull	455	12
Life	60	75
Overall loss ratio	<u>72</u>	<u>97</u>

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

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

13 Investment income and changes in fair value of investment property

	Unaudited Period ended 30 Sept 2018	Unaudited Period ended 30 Sept 2017
Investment income		
Interest income on bank deposits	993,420	939,720
Rental income from investment properties	296,504	307,578
Dividend income	235,767	252,523
Other investment income	485	5,273
Interest on Bond	215,610	-
Share of profit/(losses) from investment in equity accounted investees	(123,142)	84,627
Net unrealised loss on held-for-trading investments	(59,180)	(52,401)
Loss on sale of shares	(426,928)	(222,899)
	<u>1,132,536</u>	<u>1,314,421</u>

14 Other income

	Unaudited Period ended 30 Sept 2018	Unaudited Period ended 30 Sept 2017
Policy fees	146,959	307,618
Transfer fees	200,620	392,739
Cancellation fees	135	-
Foreign exchange profit	472	498
Sundry income	125,409	6,921
Profit on sale of AAA card	5,902	2,394
Commission income (orange card)	90,561	124,926
Profit on sale of Fixed assets	46,622	(2,344)
	<u>616,680</u>	<u>832,752</u>

15 Earnings per share

Earnings per share is calculated by dividing the net profit/(loss) for the period by the number of shares outstanding as on date, as follows:

	Unaudited Period ended 30 Sept 2018	Unaudited Period ended 30 Sept 2017
Net (loss)/profit for the year (RO)	1,975,172	(794,635)
Number of shares outstanding as on	100,000,000	200,000,000
Basic (loss)/earnings per share (RO)	<u>0.020</u>	<u>(0.004)</u>

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:

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

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 Sept 2018	Unaudited Period ended 30 Sept 2017
<i>Premiums written</i>		
Omani Vegetable Oils and Derivatives LLC	37,761	27,682
Dhofar International Development and Investment Company SAOG	48,797	3,500
Bank Dhofar	2,571,569	2,577,180
Other related parties	<u>226,180</u>	<u>240,108</u>
	<u>2,884,307</u>	<u>2,848,470</u>
<i>Claims paid</i>		
Omani Vegetable Oils and Derivatives LLC	185,249	3,117
Dhofar International Development and Investment Company SAOG	291	-
Bank Dhofar SAOG	2,347,892	1,229,735
Other related parties	<u>53,333</u>	<u>87,592</u>
	<u>2,586,765</u>	<u>1,320,444</u>
Directors' sitting fees	35,000	49,400

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 September 2018, the Company has not established any provision for impaired amounts owed by related parties as the payment history has been good (30 September 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 Sept 2018	Unaudited Period ended 30 Sept 2017
Other receivables and prepayments		
Receivable from Ex-Chief Executive Officer	932,353	932,353
Recoverable from related parties	30,000	30,000
Premiums receivable from related parties	232,011	54,249
Outstanding claims payable (included in outstanding claims reserve) to other related parties	1,935,447	1,435,609
Fixed deposits with Bank Dhofar SAOG	30,932,906	30,932,906

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

(c) Compensation to key management personnel of the Company

	Unaudited Period ended 30 Sept 2018	Unaudited Period ended 30 Sept 2017
Short-term-benefits	495,629	310,248
Employees' terminal benefits	17,839	10,399
	<u>513,468</u>	<u>320,647</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 period, 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 September and 31 December 2017 and for statement of comprehensive income and cash flows, period ended 30 September 2017.