

Muscat Insurance Company SAOG

Unaudited condensed interim financial statements for the nine month period ended 30 September 2020

Notes to the financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Muscat Insurance Company SAOG (formerly known as Muscat National Holding Company SAOG), ("the Company") is registered as a public joint stock company in the Sultanate of Oman. The Company was formerly operating as an investment company whereby its license was amended by Capital Market Authority (CMA) to underwrite general insurance and life assurance business from 17 August 2017, vide the CMA's administration decision E/59/2017 dated 30th August 2017.

The Company was restructured in the year ended 31 December 2017 through the merger of its two fully owned subsidiaries in order to comply with provisions of the Insurance Companies Law of 1979, as amended, to bring the share capital of the Company to RO 10 million by August 2017. Accordingly, the subsidiaries Muscat Insurance Company SAOC ("MIC") and Muscat Life Assurance Company SAOC ("MLAC") were merged with the Company by transferring their assets and liabilities, as well as the licenses to underwrite portfolio of general and life insurance business.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The unaudited condensed interim financial statements for the nine month period ended 30 September 2020 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and in compliance with the applicable requirements of the Commercial Companies Law of the Sultanate of Oman promulgated by Royal Decree No. 18 / 2019 ('the Commercial Companies Law') was issued on 13 February 2019 and came into force on 17 April 2019.

The unaudited condensed interim financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows of Muscat Insurance Company SAOG.

The unaudited interim financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The unaudited condensed interim financial statements have been prepared on a going concern basis and using the historical cost convention. The historical cost convention has been modified to include the measurement of fair value of investments carried at fair value through profit or loss, investments held to maturity, available-for-sale investments and held for trading investments.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2019, except for the impact of the adoption of the Standards and Interpretations as disclosed in note 2.2.

The condensed interim statement of financial position is presented in ascending order of liquidity, as this presentation is more appropriate to the Company's operations.

The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, held for trading investments carried at fair value through profit or loss, premium and insurance receivables, available for sale investments, receivables and prepayments, trade and other payables and provision for taxation. The following balances would generally be classified as non-current: investment property, property and equipment, right of use asset and lease liability, provision for employees end of service benefits. The following balances are of mixed nature (including both current and non-current portions): fixed deposits, investments held to maturity, reinsurers' share of insurance funds, deferred tax asset-net, reinsurance payable, and insurance funds.



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2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.2 New and amended IFRS adopted by the Company (Continued)

The adoption of new standards effective as of 1 January 2020 and amendments and interpretations do not have an impact on the condensed interim financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Detailed disclosures for the impact of the IFRS 16 and IFRS 17 on the Company's financial statements were provided in notes 2.2 and 2.3 of the Company's financial statements for the year ended 31 December 2019. Apart from the deferment of the effective date for IFRS 17 to 1 January 2023, no other changes to those assessments have arisen in the current period.

IFRS 9 'Financial Instruments' is effective from 1 January 2018, the Management of the Company has performed an assessment of the amendments and reached a conclusion that:

- Previously the Company has not adopted the IFRS 9 and
- Its activities are predominantly connected with insurance.

In view of above management has applied the temporary exemption in its reporting for the current quarter ended 30 September 2020.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unaudited condensed interim 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 expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of financial statements of the Company for the year ended 31 December 2019.

4 FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2019. There have been no changes in the risk management policies since year end.

5 FAIR VALUES ESTIMATION

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market prices at the close of business on the reporting date, adjusted for transaction costs necessary to realize the asset. Fair value of unquoted investments is based on valuation techniques used by the Company. The fair value of trade and other receivables is estimated at the present value of future cash flow, discounted at the market rate of interest at the reporting date. The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the reporting date.



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6 UNDERWRITING RESULTS

	30 September 2020 3 months Unaudited RO	30 September 2019 3 months Unaudited RO	30 September 2020 9 months Unaudited RO	30 September 2019 9 months Unaudited RO
Gross written premiums arising from insurance contracts issued	4,008,310	4,256,816	15,061,955	15,602,420
Movement in gross unearned premium reserve	632,673	672,597	(486,740)	(1,418,788)
Insurance premium revenue earned	4,640,983	4,929,413	14,575,215	14,183,632
Premium ceded to reinsurers on insurance contracts issued	(2,998,889)	(2,897,975)	(10,822,204)	(10,269,761)
Movement in reinsurance share of unearned premium reserve	(193,156)	(334,434)	979,446	1,697,896
Insurance premium ceded to reinsurers	(3,192,045)	(3,232,409)	(9,842,758)	(8,571,865)
Net premium revenue earned	1,448,938	1,697,004	4,732,457	5,611,767
Gross claims settled	(2,124,253)	(2,884,269)	(6,981,531)	(8,462,982)
Reinsurance share of gross claims settled	951,061	1,329,952	3,641,618	3,996,005
Net claims settled	(1,173,192)	(1,554,317)	(3,339,913)	(4,466,977)
Movement in net outstanding claims	124,638	(136,040)	(285,982)	(556,362)
Net claims incurred	(1,048,554)	(1,690,357)	(3,625,895)	(5,023,339)
Commission income	264,447	61,439	938,958	993,480
Commission expense	(77,036)	(46,871)	(146,250)	(111,482)
Net commission income	187,411	14,568	792,708	881,998
Other underwriting income	15,721	19,587	142,440	141,190
Underwriting results	603,516	40,802	2,041,710	1,611,616

The following further notes apply:

- a) The general insurance and life assurance net written premium and underwriting results before reinsurance recoveries are analysed as follows:

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO
Motor	2,870,923	3,857,220	(431,057)	(2,318,283)
Medical	1,098,442	1,201,130	(443,474)	50,842
Group life, group credit and health	137,358	144,334	(474,348)	(154,221)
Household and others	110,180	105,605	259,927	336,333
Marine	12,423	15,193	172,517	(518,777)
Fire	10,425	9,177	(73,253)	65,338
Total	4,239,751	5,332,659	(989,688)	(2,538,768)



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6 UNDERWRITING RESULTS (Continued)

b) The net claims ratio for general insurance business is as follows:

	30 September 2020 Unaudited %	30 September 2019 Unaudited %
Motor	76	93
Fire	93	9
Marine	5	463
Engineering, accident and others	(44)	(10)
Overall loss ratio for general insurance business	75	92

c) The net claims ratio for life insurance business is as follows:

	30 September 2020 Unaudited %	30 September 2019 Unaudited %
Company life	58	39
Medical	87	91
Overall loss ratio for life insurance business	80	79

7 INVESTMENT INCOME (NET)

	30 September 2020 3 months Unaudited RO	30 September 2019 3 months Unaudited RO	30 September 2020 9 months Unaudited RO	30 September 2019 9 months Unaudited RO
Interest income on deposits	132,608	124,776	386,626	419,011
Dividend income	2,841	2,222	414,106	274,124
Interest income on bonds	29,985	25,272	89,246	74,912
Other investment income	500	1,000	3,500	3,500
Rental income (net)	85,396	40,030	227,143	61,873
Profit on sale of fixed assets	--	--	--	1,250
Unrealised loss on investments carried at fair value through profit or loss	106,609	384,568	(733,179)	53,858
	357,939	577,868	387,442	888,528



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8 DEPOSITS

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Deposits with banks	7,255,000	7,255,000	7,255,000
Deposits with other financial institutions	2,650,000	2,650,000	2,650,000
	9,905,000	9,905,000	9,905,000

The following further notes apply:

- As at 30 September 2020 deposits with banks and other financial institutions have maturity period of six months to thirty-six months (30 September 2019 and 31 December 2019 – six months to thirty-six months) from the date of placement.
- As at 30 September 2020, transfer of deposits in local currency amounting to RO 6,951,000 (30 September 2019 – RO 6,940,000 and 31 December 2019 – RO 6,940,000) is restricted (note 14).

9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 Unaudited		30 September 2019 Unaudited		31 December 2019 Audited	
	Cost RO	Fair value RO	Cost RO	Fair value RO	Cost RO	Fair value RO
<i>Local - quoted investments</i>						
Banking and finance	3,431,650	2,166,555	3,431,650	2,971,385	3,431,650	2,801,865
Services	679,837	405,864	679,837	505,465	679,837	456,442
Industrial	101,577	129,936	101,577	142,773	101,577	120,875
Oil and energy	95,975	97,069	95,975	122,938	95,975	116,738
Consumer goods	48,381	144,661	48,381	213,061	48,381	180,061
Mutual funds	25,000	26,600	25,000	26,788	25,000	27,883
	4,382,420	2,970,685	4,382,420	3,982,410	4,382,420	3,703,864
<i>Local - unquoted investments</i>						
Services	9,269	21,107	9,269	21,107	9,269	21,107
Industrial	5,120	2,850	5,120	2,850	5,120	2,850
Agriculture / food	62,500	43,750	62,500	43,750	62,500	43,750
	76,889	67,707	76,889	67,707	76,889	67,707
Total	4,459,309	3,038,392	4,459,309	4,050,117	4,459,309	3,771,571



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9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following further notes apply:

- a) Details of the Company's investments for which the Company's holding exceeds 10% of the market value of its equity investment portfolio are:

	% of investment portfolio %	Number of Securities RO	Market value RO	Cost RO
30 September 2020 (unaudited)				
HSBC Bank Oman SAOG	52.88	20,663,885	1,901,077	3,155,988
31 December 2019				
HSBC Bank Oman SAOG	57.77	20,663,885	2,500,330	3,155,988
30 September 2019				
HSBC Bank Oman SAOG	58.33	20,663,885	2,665,641	3,155,988

- b) As at the end of the reporting period, transfer of investments carried at fair value through profit or loss amounting to RO 2,462,637 (30 September 2019 - RO 3,384,141 and 31 December 2019 - RO 3,139,950) is restricted (note 14).
- c) Currently the percentage of HSBC Bank Oman SAOG investment in relation to overall investments of the Company is 6.88% (30 September 2019 – 8.52% and 31 December 2019 - 7.75%) which exceeds the limit prescribed by Regulations for Investing Assets for Insurance Companies issued by the CMA. As per the Regulation, investments in shares of any one company should not exceed 5% of the total investments of the insurer. The Company has applied for exemptions from the CMA in respect of this investment.
- d) The fair value hierarchy of the investments is as follows:

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
<i>Quoted investments</i>			
Level 1 hierarchy	2,970,685	3,982,410	3,703,864
<i>Unquoted investments</i>			
Level 2 hierarchy	67,707	67,707	67,707
	3,038,392	4,050,117	3,771,571



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10 PREMIUM AND INSURANCE RECEIVABLES

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Premium receivable	4,761,458	3,919,998	3,199,621
Reinsurance balances receivable	398,918	927,990	642,073
Premiums receivable from related parties [note 24 c)]	631,288	725,650	183,776
	5,791,664	5,573,638	4,025,470
Less: provision for impairment of premium and insurance receivables	(120,639)	(101,821)	(116,784)
	5,671,025	5,471,817	3,908,686

11 AVAILABLE FOR SALE INVESTMENTS

	30 September 2020 Unaudited Cost Unaudited Fair value		30 September 2019 Unaudited Cost Unaudited Fair value		31 December 2019 Unaudited Cost Unaudited Fair value	
<i>Unquoted investments</i>						
Services	402,805	556,816	402,805	519,810	402,805	556,815

The following further notes apply:

- The fair value of investments available for sale has been determined based on level 3 hierarchy
- Management believes that the fair values of unquoted investments classified as available-for-sale approximate to its carrying values as of 30 September 2020, 30 September 2019 and 31 December 2019.

12 OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Accrued interest	342,065	356,149	307,782
Other receivables	356,418	288,033	485,973
Prepayments	89,167	144,500	43,416
	787,650	788,682	837,171

13 INVESTMENTS HELD TO MATURITY

- Investments held to maturity comprise the following:
 - Investment in Government Development Bonds (40th Issue) with interest at 5.5%, due to mature in 2022; and
 - Perpetual bonds with interest at 7.75%.
- Fair value of held to maturity investments as of 30 September 2020 was RO 2,252,500 (30 September 2019 – RO 2.026 million and 31 December 2019 - RO 2.276 million).
- As at 30 September 2020, transfer of investments held to maturity amounting to RO 2,016,645 (30 September 2019 – RO 2,026,461 and 31 December 2019 - RO 2,024,007) is restricted (note 14).



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14 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 Capital Market Authority certain specific bank deposits, investments carried at fair value through profit or loss and investments held to maturity included in the statement of financial position at their carrying amount of RO 11,430,282 (30 September 2019- RO 12,350,602; 31 December 2019 – RO 12,103,957). Under the terms of the legislation, the Company can transfer these assets only with the prior approval of the Capital Market Authority.

15 INVESTMENT PROPERTY

30 September 2020	Freehold land RO	Buildings RO	Capital work in progress RO	Total RO
Cost				
At 31 December 2019	2,710,834	7,631,874	--	10,342,708
Additions during the period	--	11,031	--	11,031
At 30 September 2020	2,710,834	7,642,905	--	10,353,739
Depreciation				
At 31 December 2019	--	445,782	--	445,782
Charge for the period	--	247,345	--	247,345
At 30 September 2020	--	693,127	--	693,127
Net book values				
At 30 September 2020 (unaudited)	2,710,834	6,949,778	--	9,660,612
At 31 December 2019 (audited)	2,710,834	7,186,092	--	9,896,926
30 September 2019	Freehold land RO	Buildings RO	Capital work in progress RO	Total RO
Cost				
At 31 December 2018	1,725,979	450,000	3,778,534	5,954,513
Transfer from property and equipment	276,105	--	1,437,142	1,713,247
Transfer during the year	--	6,731,874	(6,731,874)	--
Additions during the period	--	--	1,516,198	1,516,198
At 30 September 2019	2,002,084	7,181,874	--	9,183,958
Depreciation				
At 31 December 2018	--	94,565	--	94,565
Charge for the period	--	137,526	--	137,526
At 30 September 2019	--	232,091	--	232,091
Net book values				
At 30 September 2019 (unaudited)	2,002,084	6,949,783	--	8,951,867

The following further notes apply:

- a) Freehold land and building in Al Khuwair, which is used for rental purposes, is entirely classified as investment property. The fair value of the investment property, is RO 2,050,000 based upon an independent external valuation carried at 31 December 2019.



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15 INVESTMENT PROPERTY (Continued)

- b) During the previous year, the Company completed construction of a new building in Al Khuwair. At the end of the reporting period, the building is 11% occupied for the Company's administrative use and 89% used for rental purposes. The freehold land and building, which is used for rental purposes, is classified as investment property. The fair value of the freehold land and building included under investment property and property and equipment is RO 12,000,000 based upon an independent external valuation carried at the end of the reporting period [note 17 b)].
- c) The lease terms ranges between 1 to 5 years, with options for extension. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.
- d) Currently the percentage of investment in real estate to overall investments of the Company is 34.99% (30 September 2019 – 28%; 31 December 2019 – 30.66%) which exceeds the limit prescribed by Regulation for Investing Assets of Insurance Companies issued by the CMA. As per the Regulation, investments in real estate shall not exceed 20% of the total investments of the insurer.
- e) The lessee does not have an option to purchase the property at the expiry of the lease period.

16 LEASES

- a) The Company enters into leasing arrangements for the branch offices across various locations in the Sultanate of Oman. The average lease term for the premises is around 2 to 5 years.
- b) Right-of-use assets comprise the following:

	30 September 2020 Unaudited RO	31 December 2019 Audited RO
At the beginning of the period	115,494	252,224
Depreciation for the period (note 17)	(85,831)	(136,730)
At the end of the period	29,663	115,494

17 PROPERTY AND EQUIPMENT

- a) The details of property and equipment for the period ended 30 September 2020 and 2019 are set out on pages 21 and 22 respectively.
- b) The freehold land and buildings comprises a portion of the property held by the Company located at Al Khuwair, Sultanate of Oman. In the previous year, the construction of new building had been completed. Accordingly, an amount equivalent to the percentage change in use, previously classified as property and equipment, has been transferred to investment property based on the area occupied for the Company's administrative purposes [note 15 b)].
- c) The depreciation charge for the period included under property and equipment, investment properties and right-of-use assets have been allocated as follows:



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17 PROPERTY AND EQUIPMENT (Continued)

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO
Property and equipment	141,412	140,167
Investment property (note 15)	247,345	137,526
Right-of-use assets (note 16)	85,831	102,548
	<u>474,588</u>	<u>380,241</u>

18 INTANGIBLE ASSETS

30 September 2020	Total RO
Cost	
At 31 December 2019	115,704
Additions during the period	11,408
At 30 September 2020	<u>127,112</u>
Amortization	
At 31 December 2019	26,300
Charge for the period	18,258
At 30 September 2020	<u>44,558</u>
Net book values	
At 30 September 2020	<u>82,554</u>
At 31 December 2019	<u>89,404</u>

19 ACCRUALS AND OTHER PAYABLES

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Accruals and other payables	2,906,918	2,772,266	2,241,852
Other creditors	1,649,760	1,432,391	1,928,360
End of service benefits	264,845	274,010	283,704
Amount due to related parties [note 24 c)]	58,026	3,487,847	3,544,798
	<u>4,879,549</u>	<u>7,966,514</u>	<u>7,998,714</u>



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20 REINSURANCE PAYABLE

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Premium and loss reserve retained from treaty reinsurers	3,719,138	4,841,803	3,862,141
Premium (net of commission and claims) due to reinsurers	2,745,205	1,870,734	2,164,230
	6,464,343	6,712,537	6,026,371

21 INSURANCE AND REINSURANCE CONTRACTS

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Gross			
- Outstanding claims reported	9,456,578	11,693,237	10,244,482
- Claims incurred but not reported (IBNR)	3,279,242	2,731,046	2,958,016
- Unearned premium reserve (UPR)	10,536,913	9,178,241	10,050,173
- Additional unexpired risk reserve (AURR)	71,000	--	71,000
Total gross insurance liabilities	23,343,733	23,602,524	23,323,671
Reinsurance			
- Outstanding claims reported	6,241,062	8,791,219	7,047,722
- Claims incurred but not reported (IBNR)	1,767,187	1,489,607	1,713,187
- Unearned premium reserve (UPR)	7,281,185	5,153,701	6,301,739
- Additional unexpired risk reserve (AURR)	(68,901)	--	(68,901)
Total reinsurers' share in insurance liabilities	15,220,533	15,434,527	14,993,747
Net			
- Outstanding claims reported	3,215,516	2,902,018	3,196,760
- Claims incurred but not reported (IBNR)	1,512,055	1,241,439	1,244,829
- Unearned premium reserve (UPR)	3,255,728	4,024,540	3,748,434
- Additional unexpired risk reserve (AURR)	139,901	--	139,901
Total insurance liabilities – net	8,123,200	8,167,997	8,329,924

22 SHARE CAPITAL

- a) The Company's authorized, issued and paid up capital at the end of the reporting period is as follows:

Number of shares	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
Authorised – ordinary shares of RO 1 each	30,000,000	30,000,000	30,000,000
Issued and fully paid – ordinary shares of RO 1 each	11,025,046	11,025,046	11,025,046



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22 SHARE CAPITAL (Continued)

b) The details of shareholders who own 10% or more of the Company's share capital are as follows:

Number of shares	30 September 2020		30 September 2019		31 December 2019	
	%	No. of shares	%	No. of shares	%	No. of shares
Waleed Omar Abdulmunim Al Zawawi	19.98	2,202,685	--	--	--	--
Heirs of Dr. Omar Abdul Muniem Al Zawawi	--	--	30.36	3,346,969	30.36	3,346,969

23 RESERVES

a) Legal reserve

In accordance with Article 132 of the Commercial Companies Law of Oman, annual appropriation of 10% of the net profit for the year has been made to the legal reserve until the reserve equals one third of the Company's capital. The reserve is not available for distribution but can be utilized to set off against any accumulated losses and increasing the Company's capital by issuing shares.

b) Contingency reserve

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO	31 December 2019 Audited RO
At the beginning of the period / year	2,471,868	2,043,298	2,043,298
Transfer during the period / year	339,095	310,637	428,570
At the end of the period / year	2,810,963	2,353,935	2,471,868

In accordance with Article 10(bis) (2) (c) and 10(bis) (3) (b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance premium for the year for life insurance business at the reporting date is transferred from retained earnings to a contingency reserve. The Company may discontinue this transfer when the reserve equals to the issued share capital. No dividend shall be declared in any period until the deficit in the reserve is covered from the retained profits. The reserves shall not be used except by prior approval of the CMA.

c) Capital reserve

The capital reserve represents the excess over nominal value paid by the initial subscribers towards public issue expenses incurred by the Company.

24 RELATED PARTY TRANSACTIONS

a) The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors) and entities in which the key Management personnel / significant shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors.

These transactions are entered into on terms and conditions approved by the management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.



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24 RELATED PARTY TRANSACTIONS (Continued)

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO
Premiums written	3,090,291	2,674,776
Claims paid	117,145	170,550
Purchases of goods and services	60,923	8,108
Dividend income	174,478	8,252
Other underwriting income	77,024	77,715
Directors' sitting fee paid	25,600	26,900
Director's sitting fees received	3,500	3,500

b) The key management personnel compensation for the period comprises:

	30 September 2020 Unaudited RO	30 September 2019 Unaudited RO
Short term employment benefits	212,846	241,424
End of service benefits	8,462	13,255
	<u>221,308</u>	<u>254,679</u>

c) The premiums due from and due to related parties are unsecured, repayable on normal credit terms and not subject to interest (31 December 2019 and 30 September 2019– similar terms and conditions).



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Notes to the financial statements

25 CASH GENERATED FROM OPERATIONS

The reconciliation of the profit for the period before taxation to the cash generated from operations is shown below:

	30 September 2020 RO	30 September 2019 RO
Profit before taxation	75,393	194,053
Adjustments for:		
Depreciation	474,588	277,693
Amortization	18,258	--
Gain on disposal of property and equipment	--	(1,250)
Allowance for expected credit loss	3,854	3,466
Unrealised loss on investments at fair value through profit or loss	733,179	(53,858)
Amortisation of premium on held to maturity instruments	7,875	7,362
Net impairment of intangible assets	--	35,047
Finance cost	2,804	--
Interest income	(483,747)	(501,285)
Dividend income	(414,106)	(274,124)
Rental income (gross)	(267,929)	(61,873)
Operating profit / (loss) before payment of end of service benefits, payment of income tax and working capital changes	150,169	(374,769)
Working capital changes:		
Premiums and insurance receivable	(1,766,193)	(2,268,178)
Other receivables and prepayments	83,804	72,539
Reinsurance contracts	(226,786)	(1,711,031)
Accruals and other payables	(3,100,306)	463,038
Reinsurance payable	437,972	(181,283)
Insurance contracts	20,062	1,988,285
Cash used in operations	(4,401,278)	(2,011,399)

26 SEGMENT INFORMATION

Business segments - primary reporting segment

The Company has two reportable business 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 marketing strategies. For each of the strategic units, the Company's CEO reviews the internal management reports on a regular basis.

The Company has the following operating segments:

General insurance

General business includes insurance of motor; fire, marine, engineering, workmen compensation and general accident.

Life insurance

Life insurance business relates to the insurance of the life and medical of an individual or Company and the credit life policies.



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Notes to the financial statements

26 SEGMENT INFORMATION (Continued)

	General insurance RO	Life insurance RO	Total RO
At 30 September 2020 (unaudited)			
Gross written premiums arising from insurance contracts issued	11,330,107	3,731,848	15,061,955
Profit for the period	(136,551)	147,838	11,287
At 30 September 2019 (unaudited)			
Gross written premiums arising from insurance contracts issued	12,343,122	3,259,298	15,602,420
Profit for the period	220	219,396	219,616
The total assets for each segment are as follows:			
At 30 September 2020 (unaudited)	44,133,449	6,979,620	51,113,069
At 30 September 2019 (unaudited)	50,400,340	5,246,235	55,646,575
At 31 December 2019 (audited)	47,386,907	6,445,915	53,832,822
The total liabilities for each segment are as follows:			
At 30 September 2020 (unaudited)	30,780,074	4,069,384	34,849,458
At 30 September 2019 (unaudited)	35,163,329	3,300,146	38,463,475
At 31 December 2019 (audited)	35,016,169	2,564,329	37,580,498

27 GLOBAL PANDEMIC

On 11 March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a global pandemic. The COVID-19 outbreak in the Sultanate of Oman has resulted in reduced customer traffic, temporary closures of branches as a government mandate. As a result, economic uncertainties have arisen resulting in a slow-down in the global markets. Whilst these events have had a significant impact on the Company's operations to date, these would continue to impact the Company's profitability if the weakened economic environment continues. Given the uncertainty related to the duration and effect of this pandemic, the impact on the Company's financial statements cannot be currently estimated.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed interim financial statements were approved and authorized for issue by the Board of Directors on 28 October 2020 and signed on their behalf by the Chairman and Director.



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Unaudited condensed interim financial statements for the nine month period ended 30 September 2020

Notes to the financial statements

17 PROPERTY AND EQUIPMENT (Continued)

30 September 2020	Freehold land RO	Buildings RO	Furniture and equipment RO	Computer hardware and software RO	Motor vehicles RO	Total RO
Cost						
At 31 December 2019	159,850	832,029	653,955	376,831	106,504	2,129,169
Additions during the period	--	1,363	14,806	25,720	--	41,889
Disposals during the period	--	--	--	(3,495)	--	(3,495)
At 30 September 2020	159,850	833,392	668,761	399,056	106,504	2,167,563
Depreciation						
At 31 December 2019	--	8,920	290,158	311,864	90,843	701,785
Charge for the period	--	25,000	68,846	43,870	3,696	141,412
Relating to disposals	--	--	--	(2,857)	--	(2,857)
At 30 September 2020	--	33,920	359,004	352,877	94,539	840,340
Net book value						
At 30 September 2020	159,850	799,472	309,757	46,179	11,965	1,327,223
At 31 December 2019	159,850	823,109	363,797	64,967	15,661	1,427,384



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Notes to the financial statements

17 PROPERTY AND EQUIPMENT (Continued)

30 September 2019	Freehold land RO	Buildings RO	Furniture and equipment RO	Computer hardware and software RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost							
At 31 December 2018	1,144,705	450,000	334,779	419,857	105,504	1,619,372	4,074,217
Additions during the period	--	--	317,226	79,403	15,500	649,799	1,061,928
Disposals	--	--	--	(7,360)	(22,150)	--	(29,510)
Transfers during the year	--	832,029	--	--	--	(832,029)	--
Transfer to investment property	(276,105)	--	--	--	--	(1,437,142)	(1,713,247)
At 30 September 2019	868,600	1,282,029	652,005	491,900	98,854	--	3,393,388
Depreciation							
At 31 December 2019	--	94,565	210,154	284,111	97,032	--	685,862
Charge for the period	--	36,663	56,455	40,466	6,583	--	140,167
Disposals	--	--	--	(2,202)	(22,150)	--	(24,352)
At 30 September 2019	--	131,228	266,609	322,375	81,465	--	801,677
Net book value							
At 30 September 2019	868,600	1,150,801	385,396	169,525	17,389	--	2,591,711

