

# Muscat Insurance Company SAOG

## Unaudited condensed interim financial statements for the six months period ended 30 June 2021

### 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 30 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 six month period ended 30 June 2021 have 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 2020, 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 2020, 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, dividend payable, trade and other payables and provision for taxation. The following balances would generally be classified as non-current: investment property, property and equipment, 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 2020. No changes to those assessments have arisen in the current quarter.

IFRS 9 'Financial Instruments' which was 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, the management has applied the temporary exemption in its reporting for the current quarter ended 30 June 2021.

#### 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 2020.

#### 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 2020. 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 June 2021 3 months Unaudited RO	30 June 2020 3 months Unaudited RO	30 June 2021 6 months Unaudited RO	30 June 2020 6 months Unaudited RO
Gross written premiums arising from insurance contracts issued	2,619,277	3,333,972	9,862,463	11,053,645
Movement in gross unearned premium reserve	1,552,847	(1,023,742)	(1,454,515)	(1,119,413)
<b>Insurance premium revenue earned</b>	<b>4,172,124</b>	<b>2,310,230</b>	<b>8,407,948</b>	<b>9,934,232</b>
Premium ceded to reinsurers on insurance contracts issued	(1,212,740)	(1,792,535)	(7,161,879)	(7,823,315)
Movement in reinsurance share of unearned premium reserve	(1,784,338)	1,127,130	1,170,449	1,172,602
<b>Insurance premium ceded to reinsurers</b>	<b>(2,997,078)</b>	<b>(665,405)</b>	<b>(5,991,430)</b>	<b>(6,650,713)</b>
<b>Net premium revenue earned</b>	<b>1,175,046</b>	<b>1,644,825</b>	<b>2,416,518</b>	<b>3,283,519</b>
Gross claims settled	(1,910,648)	(1,902,829)	(3,936,542)	(4,857,278)
Reinsurance share of gross claims settled	1,031,299	1,152,131	1,935,752	2,690,557
<b>Net claims settled</b>	<b>(879,349)</b>	<b>(750,698)</b>	<b>(2,000,790)</b>	<b>(2,166,721)</b>
Movement in net outstanding claims	331,158	(1,169)	440,474	(410,620)
<b>Net claims incurred</b>	<b>(548,191)</b>	<b>(751,867)</b>	<b>(1,560,316)</b>	<b>(2,577,341)</b>
Commission income	181,634	219,900	632,844	674,511
Commission expense	(69,945)	870	(137,361)	(69,214)
<b>Net commission income</b>	<b>111,689</b>	<b>220,770</b>	<b>495,483</b>	<b>605,297</b>
Other underwriting income	31,805	29,260	42,237	126,719
<b>Underwriting results</b>	<b>770,349</b>	<b>1,142,988</b>	<b>1,393,922</b>	<b>1,438,194</b>

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 June 2021 Unaudited RO	Net written premium 30 June 2020 Unaudited RO	Underwriting results before reinsurance recoveries 30 June 2021 Unaudited RO	30 June 2020 Unaudited RO
Motor	1,756,521	2,137,894	(232,883)	(560,975)
Group life, group credit and health	838,905	1,000,790	(384,713)	(524,133)
Household and others	84,121	76,456	(9,728)	281,024
Marine	10,193	7,849	71,499	156,133
Fire	10,844	7,341	140,300	(104,678)
<b>Total</b>	<b>2,700,584</b>	<b>3,230,330</b>	<b>(415,525)</b>	<b>(752,629)</b>

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**6 UNDERWRITING RESULTS (Continued)**

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

	30 June 2021 Unaudited %	30 June 2020 Unaudited %
Motor	70	83
Fire	14	142
Marine	15	(1)
Engineering, accident and others	10	10
Overall loss ratio for general insurance business	68	81

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

	30 June 2021 Unaudited %	30 June 2020 Unaudited %
Company life	66	55
Medical	51	77
Overall loss ratio for life insurance business	54	71

**7 INVESTMENT INCOME (NET)**

	30 June 2021 3 months Unaudited RO	30 June 2020 3 months Unaudited RO	30 June 2021 6 months Unaudited RO	30 June 2020 6 months Unaudited RO
Interest income on deposits	126,167	125,776	255,247	254,018
Dividend income	1,709	6,332	75,857	411,265
Interest income on bonds	29,630	29,632	58,906	59,261
Rental income	95,770	78,426	186,102	141,747
Other investment income	9,000	2,000	10,000	3,000
Unrealised gain / (loss) on investments carried at fair value through profit or loss	162,550	(335,061)	368,585	(839,788)
	424,826	(92,895)	954,697	29,503



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#### 8 DEPOSITS

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited
Deposits with banks	6,505,000	7,255,000	6,505,000
Deposits with other financial institutions	2,650,000	2,650,000	2,650,000
	<u>9,155,000</u>	<u>9,905,000</u>	<u>9,155,000</u>

The following further notes apply:

- a) As at 30 June 2021 deposits with banks and other financial institutions have maturity period of twelve months to thirty-six months (30 June 2020 and 31 December 2020 – six months to thirty-six months) from the date of placement.
- b) As at 30 June 2021, transfer of deposits in local currency amounting to RO 6,951,000 (30 June 2020 – RO 6,951,000 and 31 December 2020 – RO 6,951,000) is restricted (note 14).

#### 9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 Unaudited		30 June 2020 Unaudited		31 December 2020 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	2,424,413	3,431,650	2,049,399	3,431,650	2,165,465
Services	679,837	395,454	679,837	402,125	679,837	388,109
Industrial	101,577	178,934	101,577	140,181	101,577	131,678
Oil and energy	95,975	98,241	95,975	98,661	95,975	90,795
Consumer goods	48,381	199,555	48,381	150,061	48,381	159,061
Mutual funds	25,000	35,190	25,000	23,649	25,000	28,097
	<u>4,382,420</u>	<u>3,331,787</u>	<u>4,382,420</u>	<u>2,864,076</u>	<u>4,382,420</u>	<u>2,963,205</u>
<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	48,636	62,500	43,750	62,500	48,636
	<u>76,889</u>	<u>72,593</u>	<u>76,889</u>	<u>67,707</u>	<u>76,889</u>	<u>72,593</u>
<b>Total</b>	<u>4,459,309</u>	<u>3,404,380</u>	<u>4,459,309</u>	<u>2,931,783</u>	<u>4,459,309</u>	<u>3,035,798</u>





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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 June 2021 (unaudited)				
HSBC Bank Oman SAOG	51.34%	20,663,885	2,087,052	3,155,988
31 December 2020 (audited)				
HSBC Bank Oman SAOG	50.87%	20,663,885	1,880,413	3,155,988
30 June 2020 (unaudited)				
HSBC Bank Oman SAOG	51.53%	20,663,885	1,797,759	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 2,419,391 (30 June 2020 - RO 2,356,958 and 31 December 2020 - RO 2,451,834) is restricted (note 14).
- c) Currently the percentage of HSBC Bank Oman SOAG investment in relation to overall investments of the Company is 8.07% (30 June 2020 – 6.65% and 31 December 2020 - 7.01%) 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 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
<i>Quoted investments</i>			
Level 1 hierarchy	3,331,787	2,864,076	2,963,205
<i>Unquoted investments</i>			
Level 2 hierarchy	72,593	67,707	72,593
	3,404,380	2,931,783	3,035,798



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**10 PREMIUM AND INSURANCE RECEIVABLES**

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
Premium receivable	4,128,338	3,903,672	2,193,837
Reinsurance balances receivable	441,014	502,707	597,706
Premiums receivable from related parties [note 24 c)]	820,907	977,547	497,096
	5,390,259	5,383,926	3,288,639
Less: provision for impairment of premium and insurance receivables	(349,978)	(121,686)	(227,039)
	5,040,281	5,262,240	3,061,600

**11 AVAILABLE FOR SALE INVESTMENTS**

	30 June 2021		30 June 2020		31 December 2020	
	Unaudited Cost	Unaudited Fair value	Unaudited Cost	Unaudited Fair value	Unaudited Cost	Unaudited Fair value
<i>Unquoted investments</i>						
Services	303,860	660,826	315,637	556,815	303,860	660,826

The following further notes apply:

- a) The fair value of investments available for sale has been determined based on level 3 hierarchy
- b) Management believes that the fair values of unquoted investments classified as available-for-sale approximate to its carrying values as of 30 June 2021, 30 June 2020 and 31 December 2020.

**12 OTHER RECEIVABLES AND PREPAYMENTS**

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
Accrued interest	530,757	237,874	289,482
Other receivables	443,956	553,235	512,593
Prepayments	70,679	104,138	82,999
	1,045,392	895,247	885,074

**13 INVESTMENTS HELD TO MATURITY**

- a) Investments held to maturity comprise the following:
  - i) Investment in Government Development Bonds (40th Issue) with interest at 5.5%, due to mature in 2022; and
  - ii) Perpetual bonds with interest at 7.75%.
- b) Fair value of held to maturity investments as of 30 June 2021 was RO 2.250 million (30 June 2020 – RO 2.138 million and 31 December 2020 – RO 2.250 million).
- c) As at 30 June 2021, transfer of investments held to maturity amounting to RO 2,009,283 (30 June 2020 – RO 2,019,099 and 31 December 2020 – RO 2,014,191) 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 11,379,674 (30 June 2020 - RO 11,307,958; 31 December 2020 - 11,417,025). 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**

<b>30 June 2021</b>	<b>Freehold land RO</b>	<b>Buildings RO</b>	<b>Total RO</b>
<b>Cost</b>			
At 31 December 2020	2,710,834	7,644,864	10,355,698
Additions during the period	--	11,049	11,049
At 30 June 2021	2,710,834	7,655,913	10,366,747
<b>Depreciation</b>			
At 31 December 2020	--	934,420	934,420
Charge for the period [note 17 c)]	--	163,907	163,907
At 30 June 2021	--	1,098,327	1,098,327
<b>Net book values</b>			
At 30 June 2021 (unaudited)	2,710,834	6,557,586	9,268,420
At 31 December 2020 (audited)	2,710,834	6,710,444	9,421,278
<b>30 June 2020</b>	<b>Freehold land RO</b>	<b>Buildings RO</b>	<b>Total RO</b>
<b>Cost</b>			
At 31 December 2019	2,710,834	7,631,874	10,342,708
Additions during the period	--	6,057	6,057
At 30 June 2020	2,710,834	7,637,931	10,348,765
<b>Depreciation</b>			
At 31 December 2019	--	445,782	445,782
Charge for the period	--	164,258	164,258
At 30 June 2020	--	610,040	610,040
<b>Net book values</b>			
At 30 June 2020 (unaudited)	2,710,834	7,027,891	9,738,725
At 31 December 2019 (audited)	2,710,834	7,186,092	9,896,926

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 was RO 1,850,000 based upon an independent external valuation carried at 31 December 2020.





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#### 15 INVESTMENT PROPERTY (Continued)

- b) During the year 2019, 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.
- 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 35.85% (30 June 2020 – 25.99%; 31 December 2020 – 35.12%) 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 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
At the beginning of the period / year	70,078	115,494	115,494
Addition during the period / year	47,525	--	104,314
Depreciation for the period / year [note 17 c)]	(61,849)	(60,141)	(149,730)
At the end of the period / year	55,754	55,353	70,078

#### 17 PROPERTY AND EQUIPMENT

- a) The details of property and equipment for the period ended 30 June 2021 and 2020 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)].

The depreciation charge for the period / year included under property and equipment, investment properties and right-of-use assets have been allocated as follows:

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO
Property and equipment	75,667	94,043
Investment property (note 15)	163,907	164,258
Right-of-use assets (note 16)	61,849	60,141
	301,423	318,442



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**18 INTANGIBLE ASSETS**

<b>30 June 2021</b>	<b>License RO</b>
<b>Cost</b>	
At 31 December 2020 and at 30 June 2021	131,870
Addition during the period	22,042
At 30 June 2021	153,912
<b>Amortization</b>	
At 31 December 2020	50,099
Charge for the period	14,032
At 30 June 2021	64,131
<b>Net book values</b>	
At 30 June 2021	89,781
At 31 December 2020	81,771
<b>30 June 2020</b>	<b>License RO</b>
<b>Cost</b>	
At 31 December 2019	115,704
Additions during the period	6,650
At 30 June 2020	122,354
<b>Amortization</b>	
At 31 December 2019	26,300
Charge for the period	11,633
At 30 June 2020	37,933
<b>Net book values</b>	
At 30 June 2020	84,421
At 31 December 2019	89,404

**19 ACCRUALS AND OTHER PAYABLES**

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
Accruals and other payables	2,904,298	2,829,266	2,401,126
Other creditors	1,999,625	1,292,134	1,434,234
End of service benefits	269,470	298,587	257,770
Amount due to related parties [note 24 c)]	53,865	33,949	215,201
	5,227,258	4,453,936	4,308,331



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**20 REINSURANCE PAYABLE**

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
Premium and loss reserve retained from treaty reinsurers	3,167,402	3,805,812	3,175,635
Premium (net of commission and claims) due to reinsurers	1,240,387	1,875,138	1,507,992
	<u>4,407,789</u>	<u>5,680,950</u>	<u>4,683,627</u>

**21 INSURANCE AND REINSURANCE CONTRACTS**

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
<b>Gross</b>			
- Outstanding claims reported	7,787,260	9,796,424	8,426,848
- Claims incurred but not reported (IBNR)	3,330,712	3,190,242	3,300,142
- Unearned premium reserve (UPR)	10,174,111	11,169,586	8,719,596
- Additional unexpired risk reserve (AURR)	—	71,000	—
<b>Total gross insurance liabilities</b>	<u>21,292,083</u>	<u>24,227,252</u>	<u>20,446,586</u>

**Reinsurance**

- Outstanding claims reported	5,508,526	6,385,270	5,731,070
- Claims incurred but not reported (IBNR)	2,003,078	1,749,187	1,949,078
- Unearned premium reserve (UPR)	7,306,356	7,474,341	6,135,907
- Additional unexpired risk reserve (AURR)	(6,964)	(68,901)	(6,964)
<b>Total reinsurers' share in insurance liabilities</b>	<u>14,810,996</u>	<u>15,539,897</u>	<u>13,809,091</u>

**Net**

- Outstanding claims reported	2,278,734	3,411,154	2,695,778
- Claims incurred but not reported (IBNR)	1,327,634	1,441,055	1,351,064
- Unearned premium reserve (UPR)	2,867,755	3,695,245	2,583,689
- Additional unexpired risk reserve (AURR)	6,964	139,901	6,964
<b>Total insurance liabilities – net</b>	<u>6,481,087</u>	<u>8,687,355</u>	<u>6,637,495</u>

**22 SHARE CAPITAL**

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

<b>Number of shares</b>	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 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:

Name of shareholder	30 June 2021		30 June 2020		31 December 2020	
	%	No. of shares	%	No. of shares	%	No. of shares
Waleed Omar Abdulmunim Al Zawawi	19.98	2,202,685	--	--	19.98	2,202,685
Heirs of Dr. Omar Abdul Munim Al Zawawi	--	--	19.98	2,202,685	--	--

#### 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 period is to be 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 June 2021 Unaudited RO	30 June 2020 Unaudited RO	31 December 2020 Audited RO
At the beginning of the period / year	2,854,658	2,471,868	2,471,868
Transfer during the period / year	181,847	229,737	382,790
At the end of the period / year	3,036,505	2,701,605	2,854,658

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 period 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.



# Muscat Insurance Company SAOG

## Unaudited condensed interim financial statements for the six months period ended 30 June 2021

### Notes to the financial statements

#### 24 RELATED PARTY TRANSACTIONS (Continued)

a) Continued

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO
Premiums written from related parties	2,785,758	2,838,891
Claims paid to related parties	95,867	95,178
Purchases of goods and services from related parties	270	30,466
Dividend income	--	174,478
Bonus shares (number of shares)	75,014	75,014
Other underwriting income from related parties	--	77,024
Directors' sitting fee paid	18,000	16,800
Director's sitting fees received	--	3,000

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

	30 June 2021 Unaudited RO	30 June 2020 Unaudited RO
Short term employment benefits	176,065	150,952
End of service benefits	1,617	5,642
Directors' sitting fees	--	--
	<u>177,682</u>	<u>156,594</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 2020 and 30 June 2020 – similar terms and conditions).

#### 25 CASH GENERATED FROM OPERATIONS

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

	30 June 2021 RO	30 June 2020 RO
Profit / (loss) before taxation	621,966	(105,836)
Adjustments for:		
Depreciation	253,898	318,442
Amortization	14,032	11,633
Loss on disposal of property and equipment	--	--
Allowance for expected credit loss	122,939	4,902
Unrealised loss on investments at fair value through profit or loss	(368,585)	839,788
Amortisation of premium on held to maturity instruments	5,250	5,250
Interest income	(308,903)	(318,529)
Dividend income	(75,857)	(411,265)
Rental income (gross)	(186,102)	(169,133)
Finance Cost	1,388	2,174
Operating profit / (loss) before payment of end of service benefits, payment of income tax and working capital changes	80,026	177,426
<b>Working capital changes:</b>		
Premiums and insurance receivable	(2,101,620)	(1,358,456)
Other receivables and prepayments	80,960	(127,983)
Reinsurance contracts	(1,001,905)	(546,150)
Accruals and other payables	920,683	(3,553,297)
Reinsurance payable	(275,838)	(345,421)
Insurance contracts	845,497	903,581
Cash used in operations	<u>(1,452,197)</u>	<u>(4,850,300)</u>





# Muscat Insurance Company SAOG

## Unaudited condensed interim financial statements for the six months period ended 30 June 2021

### Notes to the financial statements

#### 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.

	General insurance RO	Life insurance RO	Total RO
<b>At 30 June 2021 (unaudited)</b>			
Gross written premiums arising from insurance contracts issued	8,166,224	1,696,239	9,862,463
Profit for the period	376,080	192,743	568,823
<b>At 30 June 2020 (unaudited)</b>			
Gross written premiums arising from insurance contracts issued	9,361,124	1,692,521	11,053,645
Profit for the period	(336,295)	177,834	(158,461)
<b>The total assets for each segment are as follows:</b>			
At 30 June 2021 (unaudited)	42,523,027	5,952,331	48,475,358
At 30 June 2020 (unaudited)	44,715,670	5,902,164	50,617,834
At 31 December 2020 (audited)	41,525,151	4,865,425	46,390,576
<b>The total liabilities for each segment are as follows</b>			
At 30 June 2021 (unaudited)	28,401,473	2,784,211	31,185,684
At 30 June 2020 (unaudited)	32,053,071	2,470,900	34,523,971
At 31 December 2020 (audited)	27,631,455	2,038,270	29,669,725



# Muscat Insurance Company SAOG

## Unaudited condensed interim financial statements for the six months period ended 30 June 2021

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### Notes to the financial statements

#### 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 an impact on the Company's operations to date, these would have an increased implication on 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 July 2021 and signed on their behalf by the Chairman and Director.



**Muscat Insurance Company SAOG**  
Unaudited condensed interim financial statements  
for the six months period ended 30 June 2021

**Notes to the financial statements**

**17 PROPERTY AND EQUIPMENT (Continued)**

30 June 2021	Freehold land RO	Buildings RO	Furniture and equipment RO	Computer hardware and software RO	Motor vehicles RO	Total RO
<b>Cost</b>						
At 31 December 2020	159,850	833,635	661,712	405,281	86,854	2,147,332
Additions during the period	--	1,285	525	2,791	--	4,601
At 30 June 2021	159,850	834,920	662,237	408,072	86,854	2,151,933
<b>Depreciation</b>						
At 31 December 2020	--	42,322	374,313	347,690	75,669	839,994
Charge for the period	--	16,580	43,053	14,498	1,536	75,667
At 30 June 2021	--	58,902	417,366	362,188	77,205	915,661
<b>Net book value</b>						
At 30 June 2021	159,850	776,018	244,871	45,884	9,649	1,236,272
At 31 December 2020	159,850	791,313	287,399	57,591	11,185	1,307,338



**Muscat Insurance Company SAOG**  
**Unaudited condensed interim financial statements**  
**for the six months period ended 30 June 2021**

**Notes to the financial statements**

**17 PROPERTY AND EQUIPMENT (Continued)**

<b>30 June 2020</b>	<b>Freehold land RO</b>	<b>Buildings RO</b>	<b>Furniture and equipment RO</b>	<b>Computer hardware and software RO</b>	<b>Motor vehicles RO</b>	<b>Total RO</b>
<b>Cost</b>						
At 31 December 2019	159,850	832,029	653,955	376,831	106,504	2,129,169
Additions during the period	--	749	223	13,685	--	14,657
Disposals during the period	--	--	--	(1,148)	--	(1,148)
At 30 June 2020	159,850	832,778	654,178	389,368	106,504	2,142,678
<b>Depreciation</b>						
At 31 December 2019	--	8,920	290,158	311,864	90,843	701,785
Charge for the period	--	16,603	46,012	28,486	2,942	94,043
Relating to disposals	--	--	--	(898)	--	(898)
At 30 June 2020	--	25,523	336,170	339,452	93,785	794,930
<b>Net book value</b>						
At 30 June 2020	159,850	807,255	318,008	49,916	12,719	1,347,748
At 31 December 2019	159,850	823,109	363,797	64,967	15,661	1,427,384

